ADMINISTRATION OF THE SOCIAL SECURITY PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

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CONTENTS

Page

Press release of November 30, 1981, announcing hearing 1

Witnesses:

Social Security Administration: John A. Svahn, Commissioner of Social Security, accompanied by Paul B. Simmons, Deputy Commissioner for External Affairs; Nelson Sabatini, Executive Assistant to the Commissioner; and James S. Jeffers, Associate Commissioner for Governmental Affairs 3

ADMINISTRATION OF THE SOCIAL SECURITY PROGRAM

FRIDAY, DECEMBER 11, 1981

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, D.C.

The subcommittee met, at 10:15 a.m., pursuant to notice, in room B-318, Rayburn House Office Building, Hon. J. J. Pickle (chairman of the subcommittee) presiding.

[Press release announcing the hearing follows:]

[Press release of Nov. 30, 1981]

HON. J. J. PICKLE (D-TEX.), CHAIRMAN, SUBCOMMITTEE ON SOCIAL SECURITY OF THE COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCED TODAY A HEARING ON THE ADMINISTRATION OF THE SOCIAL SECURITY PROGRAM

The Honorable J. J. Pickle (D-Texas), Chairman of the Subcommittee on Social Security of the Committee on Ways and Means, U.S. House of Representatives, announced today that the Subcommittee will hold hearings on December 11 and 14, 1981, beginning at 10:00 a.m. each day in room B-318 Rayburn House Office Building on the administration of the social security program.

Special emphasis in the hearings will be on plans to revamp and update the social security computer system and proposed changes in the budget for social security administrative expenses. The Commissioner of Social Security, John A. Svahn, has been asked to testify.

In testimony before the Subcommittee in May 1981, Commissioner Svahn stated that next to the social security system's financing problems his major problem was the antiquated social security computer system. The Commissioner testified then that he "hoped to be back to the Committee in less than six months," with a long-term plan which addressed the computer crisis.

The Subcommittee is also concerned about provisions in the President's September amendments to the budget to cut back a wide range of administrative functions of the Social Security Administration. These proposals have been made at a time when lack of administrative resources has been already identified as a continuing problem for the smooth functioning of the social security program. The Subcommittee will also inquire about legislation contemplated in the administration of the disability program as part of these budget reductions.

The Subcommittee also wishes to explore other areas of administration of the social security program which are of current interest. This would include a status report on the latest Government Services Administration initiative to obtain adequate office space for social security offices; reports by the Commissioner that benefit payments are being made to deceased individuals and that there is abuse in the administration of the social security program overseas; a recent General Accounting Office report on the under-reporting of self-employment income; an investigation of the substantial lags in the posting of earnings upon which social security benefits are based; and a report on the legislation enacted by Congress last year which generally suspends social security benefits for convicted felons.

In the disability area, the Subcommittee also will make inquiries concerning the implementation of Public Law 96-265, the Disability Amendments of 1980, especially concerning the requirement of personalized denial notices. The Subcommittee

will also investigate allegations of increased processing time and disruption of the orderly disposition of cases caused by the Administration decision to "accelerate" the program of reviewing the current eligibility of individuals for disability benefits; and will examine the proposal by the Social Security Administration to contract out some disability adjudicative functions to private organizations and recent regulations to implement a program of reimbursement to the states for successful rehabilitation services rendered to disability beneficiaries.

The Subcommittee will also inquire about the current status of the impact of the "functional" reorganization of the agency and about any further changes pending or contemplated in the organization of the Social Security Administration.

Chairman PICKLE. The subcommittee will come to order.

I want to apologize to the Commissioner for being a little bit late. I went to the wrong committee room and then the bells caught me.

We are a few minutes late getting started. I know you have a lot to do and we have a lot of ground to cover today.

I am going to make a general statement and then, Commissioner, you may respond or we will go right into questioning, as you wish.

Just about everybody has been alerted that sooner or later—most likely sooner—social security will face a funding crisis, one that only gets worse the longer we delay action.

Today's hearing, however, deals with a hidden, or somewhat hidden, crisis in social security.

The administration of the program has been overloaded, buffeted, starved of funds, and reorganized into total confusion repeatedly in the past several years.

This is a travesty, for there was once a time that the Social Security Administration was the model bureaucracy, efficiently and politely meeting the needs of the people it served.

It does no good to point fingers of blame, as far as this chairman is concerned. We are at the point now where this committee is beginning to be concerned about whether the Social Security Administration will be able to continue to do the regular jobs assigned to it, such as posting wages, issuing social security numbers, processing benefit claims in an accurate manner, and, most important, getting the checks out on time.

What we need to do is pull together to see that we do the best we can.

We are fortunate that the Social Security Commissioner, Jack Svahn, is an outspoken and straightforward individual. He has himself shared with this subcommittee many of the problems he faces, frankly discussing with us the abysmal state of the social security computer system and other administrative problems he faces.

Commissioner, we welcome you here today. We are going to follow a fairly unusual procedure this morning. You will not present a statement but immediately go to member's questions. We are going to start off on the 5-minute rule. Then any member present can go back to ask additional questions as we go along.

Before we start off, Mr. Commissioner, I am going to insert in the record a letter addressed to you on November 30, 1981. The purpose of the letter was, as you know, to outline the various purposes of this particular hearing and the subject we want to cover.

I am going to make that part of the record.

[The letter follows:]

NOVEMBER 30, 1981.

Hon. JOHN A. SVAHN,
Commissioner of Social Security, Department of Health and Human Services, Washington, D.C.

DEAR MR. COMMISSIONER: The Subcommittee on Social Security would like you to testify before the Subcommittee on December 11 and December 14 in Room B-318 of the Rayburn House Office Building at 10:00 a.m. on the administrative health of the social security program. Emphasis will be on plans to revamp and update the computer system and on proposed changes in the budget for social security administrative expenses.

When you testified before the Subcommittee in May, you stated that next to the system's financing problems the antiquated social security computers were your greatest problem and you "hoped to be back to the Committee in less thax six months" with a long-term plan which addressed the computer crisis.

The Subcommittee would also like to be informed as to the status of the budget for social security administrative expenses. The Subcommittee is concerned about provisions in the President's September amendments to the budget which propose cuts in administrative functions of the Social Security Administration and also contemplate legislation in certain areas of the disabililty program.

The Subcommittee also wishes to explore other areas of administration of the social security program which are of current interest. A report on the GSA's latest initiative to obtain adequate office space for Social Security offices would be appropriate at this time. In addition you have recently pointed out that substantial numbers of benefit payments are being made to persons who are dead and that there is abuse in the administration of the social security program overseas. There has also been a recent GAO report on the under-reporting of self-employment income. It is the understanding of the Subcommittee that there have been substantial lags in the posting of earnings for social security purposes and you may wish to comment on the effectiveness of the annual reporting" legislation. The Subcommittee will also want a report on the legislation which was enacted by Congress last year which generally suspends the benefits for convicted felons.

In the disability area the Subcommittee would like to get the latest information on the administrative implementation of the 1980 Amendments, with emphasis on the requirement for personalized denial notices. The ramifications of the Administration's decision to "accelerate" the program of reviewing the eligiblility of individuals for disability benefits will be explored. There have been allegations that this has greatly increased processing time and generally has been disruptive of the orderly disposition of cases by the state agencies. Other areas to be explored will be Social Security's (1) consideration of contracting out some of the disability adjudicative functions to private organizations and (2) its recent proposed regulation regarding reimbursement to the States for successful rehabilitation services rendered to disability beneficiaries.

The Subcommittee would also like an update on how the "functional" reorganization of the Social Security Administration has worked out and would like to be informed on whether there are any major changes pending or contemplated in the structure of the Social Security Administration.

With best wishes,
Sincerely,

J. J. PICKLE, *Chairman,*
Social Security Subcommittee.

Chairman PICKLE. I want to ask a set of questions to start off with. We may cover three or four subjects, Commissioner.

At this point do you want to make a statement?

STATEMENT OF JOHN A. SVAHN, COMMISSIONER OF SOCIAL SECURITY, ACCOMPANIED BY PAUL B. SIMMONS, DEPUTY COMMISSIONER FOR EXTERNAL AFFAIRS; NELSON SABATINI, EXECUTIVE ASSISTANT TO THE COMMISSIONER; AND JAMES S. JEFFERS, ASSOCIATE COMMISSIONER FOR GOVERNMENTAL AFFAIRS

Mr. SVAHN. I have no prepared statement, Mr. Chairman. I did get your letter on November 30, inviting me to come to the hearings.

As I read through it, I recognized that with 15 separate very major items you wanted to cover at the hearing that if I were to put together a prepared statement on all 15 of them, we would probably spend both days listening to my prepared statement.

I am here to answer questions and am pleased the subcommittee is taking such an earnest interest in the administrative problems of social security.

Chairman PICKLE. Commissioner, then let's get started on some of the various items.

First, I am going to get into the question of the computer system because, as I said, it is in an abysmal state of affairs.

When you first came aboard as Commissioner back in May, you stated to this committee that you hoped to have a plan to improve the computer system and you hoped to be back in less than 6 months.

Now it is 6 months ago that your statement was made.

Mr. SVAHN. Six months and twenty days, I believe.

Chairman PICKLE. We put it on our calendar this spring to be sure we were accurate.

Mr. SVAHN. I figured that.

Chairman PICKLE. We apologize for our oversight.

My question to you: Do you have any plan in the works for the computer system?

Mr. SVAHN. I welcome the opportunity to discuss our plans in the data processing area, Mr. Chairman.

I was, I have to say, a little bit amazed at the apparent fixation that has developed about my rather parenthetical expression about hoping to be back at the committee within 6 months. I have to say that my hopes have not been realized.

I do not have a plan to deliver today, although I find that I am back before the committee on the same subject.

I have been working with the systems people in social security to develop the plan for upgrading social security's data processing capability.

As I told you in May, after I had first become Commissioner of Social Security, Social Security in the past has failed to have a plan for a complete modernization of its data processing capability. Because of its failure to develop a plan, each time Social Security has tried to relieve some of the pressure with regard to the data processing operation, they have run up against roadblocks, many of them quite valid, toward doing that.

Second, I think Social Security in the past has looked at plans for relieving the pressure on the data processing center in terms of hardware only.

As I said on May 22, our problems are threefold: We do have a hardware capacity problem, but that is not the most critical aspect of Social Security's long-range data processing needs.

Since that time, in studying with the various groups the data processing needs, we have come definitely to the conclusion that the real work that needs to be done in social security data processing is in the software area.

I have read almost all of a first-cut rough draft of a long-range plan.

I would anticipate another 3 or 4 weeks of working on that rough draft to clean it up to my satisfaction.

The group I have working on it will have a final draft, I anticipate, by the end of this year, and I hope we will be printing that plan sometime in early February 1982.

The plan will take social security from where it is today through 5 years and will be a step-by-step approach to upgrading not only the hardware, but the software and our storage capacity. I have been very hesitant to fall into the, I hate to say the trap, but to fall into the trap some of my predecessors have by jumping into the easy solution to relieve some of the pressure on our data processing system and neglecting the long-range aspects of social security data processing.

Once we have the plan—and we will be, I am certain, talking to the committee about it, we will be talking to OMB about it, and to the Department about it—we will move very rapidly to relieve some of the pressure that has built up over the past year or so on data processing.

As I said, I still anticipate another month or so before having something final to start circulating and talking about.

Chairman PICKLE. In May you pointed out you had three primary problems. One was the area of software; the second area was the area of storage capacity; the third was in the area of hardware.

You didn't put any priority on them at that time.

Now you say you will concentrate on software and plan to have a plan by early February?

Mr. SVAHN. We are concentrating on all three, Mr. Chairman. We have been working with the General Services Administration. We are getting terrific cooperation from them.

Chairman PICKLE. In May, as I recall it, you said it would take some $400 to $500 million in expenditures over a period of 4 or 5 years to upgrade the system.

Are you on target on that program and those sums? Are you requesting and getting or having any assurances of getting appropriations to support this particular effort?

Mr. SVAHN. Of course, I have no assurances, Mr. Chairman, on getting any appropriations whatsoever.

Chairman PICKLE. Have you requested it?

Mr. SVAHN. Yes. We have requested contingency funding. It is difficult to do. I have the Office of Management and Budget's assurance that once the plan is put forward, we will not have any problems from their organization obtaining the funding necessary to upgrade the system.

I think everybody recognizes that social security is a very large data processing system. I have characterized it as 83,000 people supporting the system and vice versa.

The system has fallen down. The people haven't.

Chairman PICKLE. My specific question is: Have you requested this money to upgrade your system, the $400 to $500 million?

Mr. SVAHN. I have not formally put in a request for $400 to $500 million.

Chairman PICKLE. How have you requested it? Wished for it?

Mr. SVAHN. No. I talked with the Office of Management and Budget, indicating that our rough estimates were, if you remember,

91-530 O—82——2

Mr. Chairman, in May we were talking about very rough estimates, between $400 and $500 million. A lot is contingent upon the plan itself; in other words, what we plan on doing within the next 12 months. Then we will know exactly how much money that is going to cost.

Chairman PICKLE. Mr. Commissioner, there is not much doubt in your mind that approximately this amount of money is going to be needed?

Mr. SVAHN. That is correct.

Chairman PICKLE. Why do you hesitate to ask? It seems if you are going to upgrade this system, you planned to have a plan by today, hoped you could, you would at least request the funds.

If you haven't requested it, we haven't moved forward 1 inch except to have some kind of verbal conversation with OMB.

It seems to me that is not enough. If you really need the funds, when you want to make new appropriations, I presume that is not related to this hobgoblin yesterday we passed of contingency reserve, is it?

Mr. SVAHN. I am still trying to figure that one out. Yes, it is related to that, Mr. Chairman.

Chairman PICKLE. You mean you hope to get money from the fund for this?

Mr. SVAHN. There's about $38 million in the regular appropriation for our increased systems activity over the ongoing operation right now.

Chairman PICKLE. That $38 million compared to $500 million is just a hiccup?

Mr. SVAHN. The $500 million is a 5-year figure. It will take us a while to get started and rolling on it.

Chairman PICKLE. That is three hiccups then.

Mr. SVAHN. But it is not $100 million a year for 5 years. We will start out with less than $100 million for the first year. If I can have the plan approved and moved through the procurement process, which takes a tremendous amount of time, get some assistance in recruiting, and this year am able to spend the $38 million extra that are in the 1982 budget, I would be very pleased.

Chairman PICKLE. I would ask that you send this committee a copy of such requests as you make them for these funds, so we will know and we will help follow through on it and try to help obtain the necessary appropriations. This is needed.

What we have to do is start. We recognize that we have a crisis. We must move forward as quickly as possible.

Mr. SVAHN. I appreciate that, Mr. Chairman.

Chairman PICKLE. Commissioner, the last time you testified you stated that in the preceding year Social Security had lost approximately 20 percent of its programing staff.

Mr. SVAHN. Yes.

Chairman PICKLE. I ask you then, has this brain drain been reversed? At the same time you said that the administration had approved an increase in full-time permanent staffing from a level of about 1,900 as of May 1981 to a level of 2,600 by September 1982.

What is the current level?

Mr. SVAHN. The current level of employees in the Office of Systems has not changed dramatically. I do not have the numbers.

Perhaps somebody can dig them out for me while I attempt to answer that question.

Chairman PICKLE. Have we lost 20 percent of our personnel in programing?

Mr. SVAHN. We have right now about 700 vacancies out of an organization of about 2,600 people. We have been actively recruiting for those vacancies. We have a very difficult problem in filling those vacancies and getting people to come into Social Security in those career areas.

We are recruiting from within the organization and training some of our own people in other fields in data processing programming.

Chairman PICKLE. You have about 1,900 employees in systems and you are recruiting and have hired some. About all you have done is tread water? You stayed even?

Mr. SVAHN. Stayed even.

Chairman PICKLE. So the 20-percent drain has happened. We haven't made up for it. You can't get the additional employees.

So it seems to me that that is an alarming prospect. What prospects do you have to get these extra people?

Mr. SVAHN. As I said, we have engaged in a rather substantial recruiting program. I have just recently met with the county executive of Baltimore County, and talked to him about setting up a training program with the county junior colleges where we can recruit and train people and provide job tasks for them.

It is a very difficult thing.

The Government right now is not very competitive with private industry in the area of computer programing. Our starting salaries for recent graduates in computer sciences are about $3,000 less a year than comparable salaries on the outside; beside that fact, a number of reorganizations at Social Security have resulted in a grade structure which is roughly one grade lower than some of the agencies within the Department of Health and Human Services.

Chairman PICKLE. Have you been affected by the hiring freeze?

Mr. SVAHN. Not really. There was a hiring freeze put on as a result of the continuing resolution and the problems that we had in November, but we have not been impacted in the systems area by that hiring freeze.

I can hire anybody in systems that I want to. I just cannot recruit them.

Chairman PICKLE. Your problem is you can't find them?

Mr. SVAHN. I just can't recruit them. That is correct.

Chairman PICKLE. At the rate we are going, we are not going to be able to get ahead. The question is, what are we going to do about it?

Mr. SVAHN. Well, I do see some relief out there.

I think one of the reasons that we have a problem in getting people to come to work with Social Security is that our data processing reputation is well known; and it is difficult to get people to come into an organization that looks like it is close to collapsing.

When you want programers to work on programs that it will take even a qualified programer maybe 18 months to learn because of the lack of documentation, it is fairly difficult to get them to come in.

It is difficult to get people to come in and go to work on antiquated equipment. They say, "Why should I work there? It is not state of the art. I will not have any professional development."

I think once we have a plan and can show how we are going to go from where we are today to a full-blown modern operation, that we will offer a challenge to people and get more people that will come into social security.

Chairman PICKLE. Let me ask one more question and I will then yield to Mr. Gradison.

The Deputy Director of OMB, Mr. Harper, stated in testimony before the House Operations Committee in September of this year that OMB would support SSA's request for additional funds to improve ADP processing as long as it was cost effective.

Mr. SVAHN. That is correct.

Chairman PICKLE. Have you had any discussion with OMB as to their continued support for a new ADP program?

Mr. SVAHN. I have. They do continue to support it.

Chairman PICKLE. What concerns me is that you and OMB have a nice coffee club session. But you don't make a request; we get no request for funds transmitted to the Congress for approval or disapproval. Somebody has to get off dead center if we are going to get the funds for this program.

Mr. SVAHN. I can assure you, Mr. Chairman, that as soon as we have a plan and it is laid out in steps as to where we want to go, that we will be making specific requests.

The problem in the past has been that social security hasn't had a plan and has been unable to justify its requests.

I could come in and, as I said before, request roughly $400 to $500 million to use to upgrade the system.

We are going to have new equipment, new software and new people. But that is hardly enough to justify an expenditure of $400 to $500 million. We have to break it out in manageable pieces.

Chairman PICKLE. I will yield to Mr. Gradison. I will just repeat to you, sir, that we become frightened here, as the American people become equally uneasy, to realize that our computer operation is so outdated, fragile, patched up, antiquated, as you said, so much so that last year—that is in July, I understand—we just barely got the system on line in order to issue checks with the cost-of-living increases.

We beat the deadline by about 18 hours. That is a horrendous thought. It will cause great harm to the American people if we can't issue the checks.

I have a lot of questions to ask you about the continuing resolution that was floated past us yesterday, but we will come back to that in a little bit because I don't understand it.

I tried to get some questions answered yesterday, but nobody could get the time of day yesterday on the floor. It was just a ramrod session.

We will come back to that.

Mr. Gradison?

Mr. GRADISON. Thank you, Mr. Chairman.

Where are you, Mr. Commissioner, on posting of wage records?

Mr. SVAHN. Just a quick answer on that?

Mr. GRADISON. Which years have you posted? Which year are you working on posting?

Mr. SVAHN. We are working on 1978, 1979, and 1980. We have not completed any of those years in annual wage reporting.

Chairman PICKLE. Just a minute. You haven't completed posting for 1978?

Mr. SVAHN. 1978, 1979, and 1980; 1978 is virtually completed, but there are some glaring discrepancies and some glaring omissions, such as a large part of the U.S. Air Force and some very large companies that have not been posted; 1979 is close to being completed.

As I indicated last May when I was before the committee, it is amazing that it has not been done to date. We have it as a very high priority. I am hopeful we will get 1978 done quite shortly. It causes a tremendous amount of additional workload, manual workload for our district offices due to the fact that we do not have that done.

Mr. GRADISON. Is 1977 fully posted?

Mr. SVAHN. 1977 was not an annual——

Mr. GRADISON. Was that the quarterly system?

Mr. SVAHN. Yes.

Mr. GRADISON. Are all those quarterly reports posted for 1977?

Mr. SVAHN. I would never say all of anything is done in the social security system.

Mr. GRADISON. To the best of your knowledge, is 1977 posted?

Mr. SVAHN. To my knowledge, 1977 has been posted. There obviously are errors that occur in posting and those you brought up. To my knowledge, 1977 is done.

Mr. GRADISON. Could you offer an approximate percentage, tell us the extent to which the annual figures are posted for 1978, 1979, and 1980?

Mr. SVAHN. Well, I don't have percentages here, Mr. Gradison. As I said, 1978 isn't complete.

You have a large military organization and several large companies that have not been posted. You can say we posted 147 million items and there are only 4 million items left to go, but that is still a lot of items. I would supply the information for the record if you would like to know specifically how many items have not been posted for each of those years.

[The following was subsequently received:]

ANNUAL WAGE REPORTING STATUS

Beginning with tax year (TY) 1978, the method of reporting wage data to the Federal Government changes significantly. Under the new system, employers report directly to IRS regarding tax and FICA deposits, but forward to SSA all wage data on W-2 forms. SSA processes the data for accuracy, retains FICA-related information, and forwards to IRS pertinent information for their purposes.

With all of this, Annual Wage Reporting was implemented, and by the end of the first year of processing, SSA had made changes which resulted in a working system that could handle the workload. The quality of the reports being received for subsequent years from employers noticeably improved as well.

TAX YEAR 1978

During the processing of the 1978 reports, the first year of Annual Wage Reporting, we encountered a number of problems with the system. These have since been corrected, and the 1978 processing vitually complete. The U.S. Air Force report was one of the large employer reports for tax year 1978 included in the posting run that

was just completed. The records for the personnel of the Air Force were among the approximately 1.6 million that were newly updated with tax year 1978 earnings as of December 22, 1981. As of December 11, 1981, estimated 1 million items[1] remained to be processed.

TAX YEAR 1979

The 1979 reports operations, while an improvement over tax year 1978, also encountered a number of processing problems.

Approximately 2.8 million employee records were updated with tax year 1979 earnings in the latest posting run December 22, 1981. This virtually completes tax year 1979 except for those processed reports still being corrected and those employer reports being identified for us by Internal Revenue Services' (IRS) reconciliation process. As of December 11, 1981 an estimated 1.3 million items[1] remained to be posted.

TAX YEAR 1980

The processing of 1980 reports is more than 70 percent complete. While approximately 27 percent of the items are still in process, SSA expects no difficulty in posting the remaining wage items in the June 1982 update cycle.

As indicated, SSA has learned a great deal from its first 3 years under Annual Wage Reporting. There has been constant improvement in reporting quality, in processing the reports, and in resolving the initial problems. We are confident that this improvement will continue.

1977

Processing of 1977 wage reports has been completed. There are infrequent receipts of delinquent or corrections items, and there some earnings disagreement situations being resolved. These types of situations have been routinely encountered and dealt with over the years. In some cases the statute of limitations is not effective so changes may be made for a number of years in the past.

Mr. GRADISON. That would be helpful.

I would like to explore with you the question of a death registry. What approach would be best to minimize circumstances in which payments continue contrary to law, where people have already died? I know you have been looking into this and so have we.

I know there have been some bills introduced to deal with this. One has to do with an independent national death registry center of sorts. My own present thinking is that the better way to go would be to set up a data bank within SSA itself drawing upon figures from those States which are willing to cooperate on a voluntary basis and making this information, once you have it on a registry, available to other agencies of Government for a cross check.

I would imagine it would be helpful to railroad retirement, civil service, and others. I have a bill in on this.

The purpose of my question isn't so much to explore a particular bill as to ask what your thinking is and to see whether legislation would be needed. And, if so, whether we might be able to move along toward consideration within this subcommittee of appropriate legislation.

Mr. SVAHN. Well, I just did get a copy of your bill, Mr. Gradison. I haven't had a chance to go over it.

Mr. GRADISON. I understand that.

Mr. SVAHN. Let me say first that I would not want to start Social Security on the development of a national death register right now.

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[1] The bulk of the items remaining for both 1978 and 1979 are corrections or delinquent reports which we are still receiving from employees.

We have enough things that are undone that the Congress has suggested that we do over the past several years.

Let me just say that it was a rather amazing revelation that we were paying benefits to. In fact, the information that was used to match the medicare death reports with the master beneficiary record is information that has been in social security's hands since 1965 when medicare first started. It was just never done.

I think there are a number of ways that we have in the U.S. Government to tackle this problem. The National Center for Health Statistics has a national death register, for example. To date, however, they have told us that we are not able to use it.

Mr. GRADISON. It doesn't have names or social security numbers.

Mr. SVAHN. The States do collect the information, but their agreements preclude administrative use of the data.

Mr. GRADISON. The registry that is put together for research purposes, to the best of my knowledge, has neither names nor social security numbers.

Mr. SVAHN. They do have the information, but the vital statistics information they let people use—which is different than the national death index they have started—is only used for statistical purposes and only has limited information on it. It does not have names and social security numbers.

I am not sure that the time is right, right now, to say that that is what we need.

I think that there are a lot of things that we can do administratively and perhaps with some minor legislative changes that would allow us to be much more current on termination of benefits upon notification of death.

It has just been that social security did not pay enough attention to this problem in the past. In fact, the incidence of matching medicare death dates to the master beneficiary record was a suggestion that was made by a social security employee about 3 years ago.

It was turned down by the Social Security Administration as not being effective.

Mr. GRADISON. There has been a change. We have eliminated the lump-sum death benefit except in cases where there is an eligible survivor as defined under social security law.

I gather that in the past one of the major sources—probably the major source of death information—has come from funeral homes applying for the $255 death benefit.

First of all, has that in the past been an important source of information for you? I have been told that that was the basis for something like 60 percent of your terminations.

Mr. SVAHN. I don't know offhand what the percentage is, Mr. Gradison, but it is a substantial percentage. The question right now is whether or not that percentage is going to drop off.

Social Security, with so many offices around the country—we have almost 1,350 district and branch offices and over 3,000 contact stations—maintains a regular contact with funeral homes. They notify the social security office whether or not they are applying for the death benefit.

There is quite a bit of notification that goes on. We haven't had any experience yet to be able to tell whether or not that is going to decrease.

It stands to reason that it would, but it is an issue that we are aware of and are looking at.

Chairman PICKLE. Will the gentleman yield?

Mr. GRADISON. Of course, Mr. Chairman. Then, of course, I will yield.

I think it would be useful to find out from you at what point in time you think you might be in a position to give us a more comprehensive report on this issue with your recommendations.

I recognize these changes are very recent and it may take a while.

I can accept that, but I think it might be helpful. Whether it is 6 months and 1 day or whatever, it would be helpful to have some kind of followup.

I yield, Mr. Chairman. Thank you.

Chairman PICKLE. I had a similar question to ask you, Mr. Svahn.

How will you and when will you be able to compile this information? The lump-sum death benefit went into effect in August of this year, as I recall. You have had August, September, October, November, to judge in some manner how it works.

Can you tell if you are getting death notices? Are you going to save any money?

The OMB said we could save $200 million. Now you have had 4 months' experience. Are you going to save or is it going to cost? Do you know yet?

Do you have any way to measure it yet?

Mr. SVAHN. No, we don't, Mr. Chairman.

The only thing I could say about it is that we have not experienced any significant reduction in notification on death. A lot of the——

Chairman PICKLE. You are still getting those notices primarily through the funeral homes?

Mr. SVAHN. I would have to say that around the country the reason that we get notification is that social security has in the past had a relationship with funeral homes on a field representative to funeral home administrator basis. That relationship hasn't deteriorated.

Chairman PICKLE. What makes you think they are going to—funeral homes are going to keep on giving you that information? They are not even the first cousin to the program now. They are out of it, so to speak.

Why would they keep on doing it?

Mr. SVAHN. I have no statistics in terms of how many lump-sum death benefits were paid to the funeral home directly. I could find that out and see whether you could draw a conclusion that the lump-sum death payment was a primary motivation.

Chairman PICKLE. Have you instructed the social security offices throughout the country to furnish you notices of death or social security numbers?

Mr. SVAHN. No; they don't furnish it to me. They enter it into the system.

Chairman PICKLE. In what way do they?

Mr. SVAHN. As a termination. When they learn that someone has died, it is entered into the system as a termination.

We recognize that this could be a problem.

We have set up a work group and are working with the National Funeral Directors' Association. We have an in-house work group looking at ways—perhaps along the lines suggested by Mr. Gradison—that we could improve the death notification process, but to date, we haven't experienced any real dropoff.

Chairman PICKLE. Is it unreasonable for us to ask you—given 6 months' experience—to give us a report on how it is working? What kind of plan you have in effect? Are we saving or losing money?

Mr. SVAHN. I would be glad to.

Chairman PICKLE. We concluded, some of us, this summer, that it was not a wise move to eliminate the lump-sum benefit, not only because it was cruel but because we needed a procedure to know when people died.

It was a very practical accounting system.

Now that we have changed the law and you have taken it away, we need to know how is it working. I think Mr. Gradison makes a good request on that.

Thank you, Mr. Gradison.

Mr. GRADISON. I take it, Mr. Chairman, one suggestion I have received from some funeral home people isn't that they need $255 as an incentive, but some smaller payment on a regular basis for each notification might be a more assuring way to get the information than relying upon the informal contacts that have been built up.

I am not sure whether that is the most cost effective method or not.

It might be something to look into, if just the simple fact of notifying your office would bring them back a small sum of money for each one. It could conceivably be cheaper than going all the way around the barn trying to get this from the States and also it would avoid the problem which I think we would have under my bill as well as other proposals.

That apparently is that some States under their own laws would not be able to make the information available on a voluntary basis to our registry. It really wouldn't serve our purposes especially well if we had an uneven situation where we had a relatively positive means of getting the information in 48 States and had one or two which simply would not participate and indeed could not under their own laws.

Thank you, Mr. Chairman.

Chairman PICKLE. Mr. Commissioner, I would like to turn to a question pertaining to the continuing resolution that was passed yesterday, particularly with respect to the reductions in the appropriations for administrative expenses.

The President's request in September for a 12-percent reduction in administrative expenses contained a general description of cutbacks which included "general administration, systems, policy, and quality assurance."

Could you give us more specific details on what functions you plan to cut back on, particularly comment on quality assurance?

Let me carry it just one step further now.

It seems to me that the President's September request was also based on some legislative recommendations. Those changes—and I

am quoting now from a document—which said, "Would waive the requirement to issue personalized denial notice to diability claimants, to waive the requirement to pay for medical evidence of record of disability insurance claim, and to recover from social security and SSI benefits the legal fees of attorneys representing claims."

It seems to me that these are legislative recommendations. They were to be put in an appropriations bill. They have not been submitted, any of these, to our committee. I wonder if you plan to submit them to our committee? How will we get a chance to look at this from a legislative standpoint, and I guess I would ask, are these cuts in administrative expenses in the continuing resolution premised on the enactment of these various approaches that I have just outlined?

Can you comment on this?

Mr. SVAHN. Well, let me take a crack at it. The President's September figures included a 12-percent across-the-board reduction of social security's limitation on administrative expenses account, a reduction of $372 million. We were asked to prepare an effect statement as to what we would reduce should we receive a reduction of $372 million. We did that. There were a lot of items in the effect statement but basically it said that we would not start new things because it was an across-the-board kind of cut and had to be implemented immediately. There were also several things that could be stopped, we believe, without a tremendous impact.

I did get a copy last night of the Conte resolution, if you will, which had social security at $3,017 million. It did contain some appropriations language which limited the funds that we could spend on the items that you just talked about.

I was under the impression, Mr. Chairman, that that was not included in the continuing resolution, that the language regarding personalized denial notices, attorneys' fees, et cetera, was not in the resolution that the House passed yesterday.

I may be wrong on that.

Chairman PICKLE. We haven't seen the language. We want to know what to expect.

Mr. SVAHN. I recognize full well that in order to stop doing those things, we would need changes in the law. If that is not in the continuing resolution—as I said, I don't know what is in the continuing resolution—it would be my intention to come forward with legislation that would allow us to stop doing those things. About $43 million in administrative savings is associated with those items.

Chairman PICKLE. In the continuing resolution there was a cut of $93 million for preeffectuation review of State agencies' decisions, for the accelerated review of persons on the disability rolls, and deferring step-up of debt collection.

At the same time they said in the statement that all administrative decreases in this category would cause increases in program outlays that would exceed the administrative decreases.

Mr. SVAHN. I believe that is in relationship to the September submission, Mr. Chairman. I don't believe that is the continuing resolution.

Chairman PICKLE. Whether it is in the September request or in the continuing resolution yesterday, the fact is, you are saying you

are going to make cuts in those areas, but they also say when you make these cuts it would increase the costs of the program.

Mr. SVAHN. That is the point that I made. That is the reason I believe, Mr. Chairman, that that is not in the continuing resolution.

Chairman PICKLE. Are you going to do those things?

Mr. SVAHN. Eliminate those items? It is not my intention.

Chairman PICKLE. You said you don't know if it is in the language. I am going to say it is intended to be in the language based on the September recommendations.

Are you going to do that now?

Mr. SVAHN. But we didn't receive the $372 million reduction.

Chairman PICKLE. But you have a reduction of $108 or $181 million, depending upon how you look at it, whether it is the House or the Senate level. The reduction was very steep.

Mr. SVAHN. Yes, sir.

Chairman PICKLE. I guess I ought to ask when OMB said to you in September, when they were going to cut out $372 million in administrative expenses, did you agree to that or say we will attempt to do it in this manner?

Were you a happy warrior, or did you protest it?

Mr. SVAHN. I am a warrior, Mr. Chairman. I recognize the need for budget reductions at this time. I was concerned about the fact that the reductions were an across-the-board reduction. I believe, and still believe, there can be substantial reductions made in social security administrative costs; but I also believe that they should be done with a scalpel and that there should be specific items identified and reduced.

When OMB indicated that there would be a 12-percent cut in accordance with what the President asked for, I then indicated to them what kinds of things would be reduced in social security's administrative account.

As I said, the first thing you do is you don't do new things. They recognized, as I pointed out to them, that many of the new things that we were doing would result in better efficiency and would cost more in terms of programmatic savings not to do them than it would save in the administrative costs not to do them.

I think that that is reflected in the continuing resolution. In other words, we will be doing those things.

Chairman PICKLE. We have a vote on but I want to pursue this a little further before we go.

The continuing resolution yesterday had a $70 million contingency reserve. It listed some pretty strict rules on how it would be spent. First, I want to ask you who determines what that money can be spent for if it is needed.

Mr. SVAHN. You have me at a disadvantage, Mr. Chairman. I haven't read the continuing resolution. I didn't get an opportunity to see it last night.

Chairman PICKLE. Welcome to the club.

Mr. SVAHN. I see.

I honestly can't say because I don't know what is in it.

I have a feeling I am about to be handed a copy.

Chairman PICKLE. If the $70 million is put in there, and the indication is if you need more—we are going to cut you, cut you by

some $200 million, but if you need some extra money, what do you have to do to get this $70 million. We are advised that the only way you can do that is to—let me see if I have the language here—which says the money can be used only to the extent necessary for additional ADP expenses to process other workload not anticipated and to meet costs of State and local agencies and government participating in SSI, medicare, or disability.

Does that mean the $70 million can be used for continuing disability reviews even though those reviews were anticipated in the budget requests?

Can it be used for pay raises? What can it be used for? It seems to me you can only use it for new additional things and not for the problems you have, which are serious to begin with.

Mr. SVAHN. I don't believe so, Mr. Chairman.

Chairman PICKLE. How do we know?

Mr. SVAHN. Well, I would be glad to supply a full explanation of our interpretation of the continuing resolution for the record if you would like.

[The information follows:]

INTERPRETATION OF THE JOINT CONTINUING RESOLUTION (PUBLIC LAW 97-92)

The relevant portion of the Joint Continuing Resolution (CR) reads as follows:

"That not withstanding the rate otherwise established by this subsection, for necessary expenses for the Social Security Administration, not more than $3,017,000,000 may be expended as authorized by section 201(g)(1), of the Social Security Act, from any one or all of the trust funds referred to therein, but not subject to the reduction contained in section 143 of this joint resolution: $70,000,000 of the foregoing amount shall be apportioned for use pursuant to section 3679 of the Revised Statutes (31 U.S.C. 665), only to the extent necessary for additional automatic data processing expenses, to process other workloads not anticipated in the budget estimates, and to meet mandatory increases in costs of agencies or organizations with which agreements have been made to participate in the administration of titles XVI and XVIII and section 221 of the Social Security Act, and after maximum absorption of such costs within the remainder of the existing limitation has been achieved."

This portion of the CR applies to the Limitation on Administrative Expenses account, which contains funds primarily to cover administration of the Social Security and Supplemental Security programs.

The CR makes $3,017,000,000 available to the Social Security Administration in fiscal year 1982 for administration of these programs. This amount is $301,680,000 less than requested in the President's March 1981 budget submission, but $70,161,600 more than requested in the September, 1981, budget revision. It is $310,115,000 more than actual obligations in fiscal year 1981.

The CR language provides that this account is not subject to certain Government-wide reductions mandated elsewhere in the CR.

Of the total $3,017,000,000 appropriated, $70,000,000 is in the form of a contingency reserve. SSA can gain access to this $70 million by requesting its apportionment from the Office of Management and Budget (OMB). In order to obtain approval of a request to apportion the contingency reserve, SSA must demonstrate to OMB that it requires all, or part of the contingency, for one, or all, of the following purposes not anticipated in the Administration's budget estimates:

Additional automatic data processing expenses;

To process workloads not anticipated; and

To meet unanticipated mandatory increases in costs of agencies or organizations on whom SSA relies to participate in the administration of the social security or SSI programs (for example, the Disability Determination Services of State agencies).

SSA also must demonstrate that it has taken every step possible to absorb any unanticipated costs within the regular appropriation before it can "tap" the contingency.

SSA interprets workloads and state agency costs not anticipated in the budget estimates, to mean workloads and state agency costs in excess of those anticipated in the September, 1981 revised budget estimates. Since, in order to live within the Sep-

tember budget estimates, SSA after maximum absorption would have had to cut back on continuing disability investigation workloads, on debt management workloads, and on the planned 1982 level of preadjudicative review of disability allowances (35 percent), SSA maintains that its plans to undertake these initiatives result in workloads in excess of the budget estimates. Therefore, SSA intends to request full apportionment of the $70 million contingency reserve.

Although OMB has the authority to deny the request to apportion the contingency, the Department of Health and Human Services has been assured by OMB that the request will be approved. Also, although the contingency may not be used to cover the costs of the Federal pay raise approved for October, 1981, OMB has given the Department assurance that pay raise requirements for the Limitation account will be included in a supplemental request.

The contingency reserve concept has been in use for the Limitation account for about 20 years. In recent years the normal contingency level has been $50 million. The Administration introduced two modifications in the operation of the concept, in its proposals for the recent CR: (1) It raised the reserve to $70 million, and (2) It made the reserve available for automatic data processing expenses not anticipated in the budget estimates. These modifications greatly benefited the Social Security Administration and enhanced its administrative capabilities.

In order to enable SSA to live within the level of the CR ($3,017,000,000), the Administration proposed to Congress that it approve appropriations language permitting waiver of certain administrative requirements now in the law—for example, the requirement to issue personalized denial notices to disability claimants whose applications are denied and the requirement to pay the costs to obtain medical evidence of record for disability insurance claimants. In its action on the CR, Congress did not act on this waiver request. Therefore, the Social Security Administration has to find a way to make itself whole for the administrative budget reductions which were dependent on legislative change, or a change in the earmarking of construction funds. One option under consideration is a supplemental budget request of about $43 million—the value of the changes requested of Congress but not approved in the CR.

Chairman PICKLE. I hope you will. We don't know who will make that determination. Is some auditor for the OMB going to do it, or is it Mr. Stockman who will make that determination?

Mr. SVAHN. Social Security traditionally has had a $50 million contingency reserve for increased workload, I believe with language very similar to that in the continuing resolution. This continuing resolution does add into the contingency additional system's development, and data processing expenses. The money in the contingency is not, I believe, counted against outlays until it is actually apportioned to the organization.

As such, we have to rely on OMB to approve an apportionment. I have their assurances, again verbal, they will approve an apportionment for those increased workloads or increased data processing expenses.

Chairman PICKLE. They cut out administrative funds somewhere in the neighborhood of $180 million. Take a round figure. They put in $70 million for a contingency reserve.

You already have a $50 million contingency reserve, as you said.

If you have a $50 million contingency reserve, all they have done is given you $20 million more and cut out the $180 million.

Mr. SVAHN. There is no question we received a reduction in our administrative account.

Chairman PICKLE. A serious reduction of $160 to $200 million at a time when we need every dollar. You tell me you can make some reductions. We all want to make some reductions. I am of that opinion, that the Federal Government must do it, but not if we are going to lose money or if we are going to cause disaster. What it

really means is you are going to issue the July check in August instead of July.

Mr. SVAHN. I don't intend to do that, Mr. Chairman. There are a number of administrative areas where we are tightening up and will continue to do so.

Chairman PICKLE. Commissioner, we have the second bell. I believe we better recess the subcommittee for 10 minutes. We will be back as soon as we can.

[Recess.]

Chairman PICKLE. The committee will resume its hearings. We were discussing the continuing resolution, Mr. Commissioner.

The continuing resolution passed by the House is really $250 million below the level previously approved by the House Appropriations Committee, in the regular appropriations bill.

When you take out the $70 million, you get back to the approximate $180 million I had reference to.

This particular cut excludes the minimum benefit money that has already been provided for.

My question is, If you are not going to cut out the functions you said you would, where are you going to make the cuts? It seems to me you really are making a very steep cut. I don't say that you minimized it, but you indicated it wasn't a serious cut and you could live with it.

If you made this big a cut as we have indicated, and you are not going to cut it in the areas which were previously suggested, where are you going to cut it? How are you going to handle it?

Mr. SVAHN. Mr. Chairman, once again here it appears that we are involved in what is the base and what is the amount of the cut and what are we looking at.

We requested $3.318 billion in our limitation account. That was reduced by $372 million in the President's submission in September, which brought us down to $2.94 billion. Those are the numbers I have got. I am not working from the House numbers. I will try to.

What it boils down to is, after you take the minimum benefit out—we had $170 million in there for implementing the new legislation and most of that was for the minimum benefit—there is still money in there that was originally budgeted for implementation of other legislative amendments as a result of the Budget Reconciliation Act. However, we are finding we are not spending that money. We don't believe we are going to need it.

Second, due to the fact that we did not have an appropriation at the start of this fiscal year and the fact we had the September budget amendment submission which was at a very low level of spending, followed by a reduction of $372 million from our request, we tightened up considerably on expenditures and we saved somewhere between $15 and $20 million below our request in that period of time. That is savings in a budget sense, but a lot of that was at the expense of workload that has built up and has been moved forward.

We have a number of areas where we will be reducing expenses. There is no question we have—as a result of the continuing resolution——

Chairman PICKLE. That is what I am asking. Where are you going to cut?

Mr. SVAHN. We will be eliminating some of our summer aide programs, nonceiling work years.

Chairman PICKLE. Not so fast. What is the first one?

Mr. SVAHN. Nonceiling work years, Mr. Chairman. Those are budgeted work years for employees not subject to employment ceilings—employees in programs that we have in the U.S. Government that bring people in on a part-time basis or a temporary basis, summer aides, those kinds of programs.

We have deferred and will be deferring new district office construction projects out of trust fund moneys.

We are ratcheting back on travel and use of consultants. We are limiting travel to primarily operational kinds of travel.

We are also reducing substantially in the areas of research and staff office overhead. I think there is some room there where we can lean it up a little bit and we will be doing that.

We have also—as you have accurately depicted—come up with some potential for legislative changes which we might like to see which would have to be approved by the Congress.

If the Congress approves those, that would be an additional $43 million in savings. If the Congress doesn't approve those, then, of course, we would have to come back to request a supplemental to do those items.

Chairman PICKLE. You have listed five or six different areas. Of course I cannot expect you to say specifically where and what amounts and I don't expect that at this point.

It will be a difficult problem to indicate where and how you can cut this much money.

According to the figures we have—and I think these are basically correct and want to touch on what you just mentioned—the original request for funding was $3.319 billion.

The House committee, the House Appropriations Committee, appropriated $3.19 billion. When that bill got to the Senate, the Senate level appropriated $3.05 billion.

Mr. Conte had recommended $2.9 billion, but he added another $70 million for this contingency reserve. That was to be controlled by OMB and presumably not by you, but by somebody down in the OMB hierarchy.

You may not have any more say over it than would Mr. Conte, for once it is done he won't be able to control it either.

The Conte level is $107 million below the House bill, the Whitten continuing resolution level. Overall, it is $252 million less than the normal appropriations. That is a lot of money.

I think if you are not going to cut out the funds that you mentioned, I think you have to make up those differences in summer aide, nonbudgeted items, travel, research, construction, and one or two other areas.

It seems to me that will make it particularly difficult when the continuing resolution is cut and the minimum benefit money is already excluded. I am glad you told me where you think you would cut them. But let me follow through.

If you are going to cut them in the areas you said, if you are going to plan on doing the functions as recommended under the September 24 statement, where are you going to get the funding for these things?

Mr. SVAHN. Mr. Chairman, let me just say that our first priority is delivering the checks and beneficiary services. Any reductions that we take in the appropriations process or through the continuing resolution as it—I assume—is going to be passed by the Congress, will be in areas other than field services.

That is our No. 1 priority. It will be in the overhead; that is where I will be looking.

Chairman PICKLE. Can I assume that you plan to use the $70 million contingency reserve that has been set aside?

Mr. SVAHN. Yes. I definitely plan to use it. I have the Office of Management and Budget's assurances that we will be able to use it.

Chairman PICKLE. Does HHS Secretary Schweiker or Deputy Secretary Swope agree that we can live with these figures and they accept them? Have you had the nerve to call and ask them what their feelings were on this?

Mr. SVAHN. Mr. Chairman, no one has ever accused me of not having the nerve to call and ask. Yes, I think that, given the situation we are in, and the fact we are in a tight fiscal climate, with the $70 million contingency we are going to run a pretty lean machine, but we believe that we will be able to provide all the essential services, and both the Secretary and the Under Secretary have agreed to that.

Chairman PICKLE. One more question along that line.

The continuing resolution did not contain any specific funds for the 4.8-percent pay raise for your employees or for that matter for even increasing the executive salary level above the old $50,000 cap.

Will HHS submit a supplemental request for the SSA's pay raise costs or will you have to absorb this additional $70 or $80 million along with the cuts that you have already approved?

Mr. SVAHN. That issue has been raised already, Mr. Chairman. We have indicated that we would be unable to absorb the pay raise increase.

Chairman PICKLE. Does that mean you won't grant the pay raise increase?

Mr. SVAHN. Oh, I don't have anything to do with that, Mr. Chairman. Someone did suggest though, as long as I was coming up here today, that I say thank you.

I have indicated, and the Secretary has indicated, that with the reductions that we have received, even including the $70 million supplemental, we are right down to the bone. We would not be able to absorb that pay raise. I don't know how the Department plans on handling that with the Office of Management and Budget, but that is our position.

By the way, I don't know how OMB plans on handling it either.

Chairman PICKLE. We don't either.

Do you think that OMB would let you come in with a supplemental if Congress does not make legislative changes to enable you to save more administrative money?

Mr. SVAHN. Yes.

Chairman PICKLE. Let's hope that is the case.

I want to go into one or two areas in addition. Can you stay with us another 30 minutes, Mr. Commissioner?

Mr. SVAHN. Oh, I would be glad to.

Chairman PICKLE. This has to be a general question because I was not at the White House Conference on Aging, although I read about it and followed it.

Mr. SVAHN. I was not there either, Mr. Chairman.

Chairman PICKLE. You weren't?

Mr. SVAHN. We may have the same kind of discussion here.

Chairman PICKLE. I notice the President said at that conference that he did not offer any new solution for solving the financial problems. However, he did say this, and I want to state it to you:

> I agree with what Congressman Claude Pepper has said, that this country is big enough and able enough to provide for those who have served it and now have come to their time of retirement. What we can't afford is supporting the able people who are not disabled or educating from the Social Security fund young people from families of affluence and wealth.

Is this consistent with his September budget request which calls for a cutback on the programs to examine disability beneficiaries? Do you think he has been inconsistent in that statement?

Mr. SVAHN. No, Mr. Chairman. The President's September request indicated that Social Security was going to take a $372 million reduction in the administrative account, which we have just talked about.

The President didn't say that we should do that by cutting back on the continuing disability investigations or anything else. The request for reduction was $372 million.

As I indicated to you a few minutes ago, when you are confronted with a rather large reduction like that, the first thing you look to is what kinds of other things are we doing that we could eliminate?

It was social security who came back and said these are the kinds of things that we believe we could stop relatively quickly in order to keep within the requested amount.

We do not intend on ceasing that, and we will continue those activities.

Chairman PICKLE. The Department of HHS submitted to us in October 1981 a document with reference to the limitation of administrative expenses. You listed different areas where these reductions or limitations would be placed.

One of the areas with respect to this disability problem was a cutback on administrative budget increases requested for preeffectuation review of disability allowances and investigation of continuing eligibility for the benefits of those now on the rolls and deferral of the agency plan to step up the debt collection.

That was a reduction of $93 million.

Mr. SVAHN. No. That was our request for restoration. We went back after we had received the $372 million figure. We said these are the kinds of things that we would have to do right now in order to achieve the $372 million figure.

The Secretary made the decision that we should go back and say no, we need $93 million more. We can't take a $372 million cut.

Chairman PICKLE. So you are not going to make that cutback then?

Mr. SVAHN. No, sir.

Chairman PICKLE. I can understand that.

Mr. SVAHN. Put it this way: It was withdrawn. I am not sure who did the withdrawing and who was the withdrawee.

Chairman PICKLE. That is where they made the statement in the HHS document, "all administrative decreases in this category would cause increases in program outlays."

Mr. SVAHN. That is correct. I couldn't see us going in for administrative decreases which were going to cost us money in program outlays.

Chairman PICKLE. Let me go to one other subject here. With respect to the acceleration of the reviews of disability cases in your February budget you announced an acceleration of our 1980 amendments investigation procedure which was to be effective in January 1982, January 1.

But in March of this year the SSA started to send out some 50,000 additional cases a month to the State agencies and the administration estimated this program would save an additional $200 million a year.

First, I guess I would ask what has been the impact on the accelerated cases that you are sending out?

Instead of doing it in the fall or in January 1982, you pushed it up to March. What effect has that made on the State agencies? Can you give me a report on it?

Mr. SVAHN. I think initially there was much concern among the State agencies this was going to be an increased workload and it was going to cause them to have backlogs and delays in determinations.

Chairman PICKLE. Has it caused a backlog?

Mr. SVAHN. Not entirely. There were problems at the beginning, but I feel very confident that those problems would have been there regardless of when they started.

Let me just say we call this accelerated continuing disability investigations.

I am not sure where the acceleration came from. Any time you have a program where the GAO tells you you have 20 to 25 percent of the people who don't meet the requirements of being disabled and you don't do anything about it, and you wait, I think you could be subject to some criticism there.

Even while I wasn't there at the time, I think it was a good decision to send those out.

The workload statistics in the State DDS's have increased a little bit. The backlog, if you will, has gone from about 6.1 weeks' worth of backlog to about 7.9 weeks. There is a slight increase in backlog. The average processing time has increased just slightly, by about 2 days per case for all the time the DDS's handle the case.

I would have anticipated a greater backlog and more problems in the field with the increase of 30,000 cases a month under the CDI's. That hasn't come to pass.

Remember also that, in increasing those backlogs, we have had a number of other things that have occurred at about the same time which also contribute to backlogs and problems, things such as the physician's signature, preeffectuation reviews, and personalized denial notices that may add to that problem.

I have to say again, Mr. Chairman, recognize that we are dealing in averages here and national statistics. In some States there is no

question that we have experienced some problems, but on the whole it has not been too bad at all.

Chairman PICKLE. We heard from the State agencies and they were howling, and they were indicating to us that they couldn't handle it. If their backlog is only increased from 6.1 weeks to 7.9 weeks that is not a big backlog. I don't understand how it would not be a greater backlog if we had 6 weeks to begin with and you are sending out 50,000 additional cases a month to review.

Mr. SVAHN. About 30,000.

Chairman PICKLE. 30,000 a month. Why wouldn't that cause a greater backlog? I accept your figures. I sure can't challenge them. I am surprised there wouldn't be more.

Has this had any effect on the kind of decisions you get on review? Are there more cases being appealed based on error? Pushing too hard, too quick?

Mr. SVAHN. As you know, Mr. Chairman, we have a lot of problems in the appellate process. We have not, and I have talked to the DDS administrators experienced these types of problems in the CDI process and the statistics don't back up the types of problems I have heard from a few State administrators. There are several States where there are significant problems, but, on the whole, it seems to be moving fairly well.

We are finding about a 30-percent error rate or cessation rate as a result of these continuing disability investigations right now.

Chairman PICKLE. Of all the people being reviewed, approximately 30 percent are being ruled as being not disabled?

Mr. SVAHN. That is what we anticipate.

Chairman PICKLE. Thirty percent. That is significant.

Mr. SVAHN. Actually now, in many cases, it is considerably higher than that. We have prioritized the reviews for individuals who are receiving high benefits and who are most likely not to be disabled.

Chairman PICKLE. When we passed the periodic review and the preeffectuation review, the States had a greater responsibility and they have tried to respond.

If the increase had only been approximately 2 weeks additional backlog, presumably that could be handled. I presume that it is being handled now. Have you, Mr. Commissioner, recently cut the State agency budgets in this area? Have you cut the budget, the funds that they would have for review?

Mr. SVAHN. I was going to say no, but I am reminded that during the continuing resolution periods, we did hold their spending level down for that period of time.

Chairman PICKLE. In what month? To what level have you cut it down? Why did you cut it down?

You increased their workload, almost doubled their workload.

Yet you cut down the money they used to handle it.

Mr. SABATINI. Mr. Chairman, that was because during the first quarter of this year, from October 1 to date, the continuing resolution held us to a spending level that was either the lower of the current rate——

Chairman PICKLE. So you cut back just to meet your budget, not because the funds weren't needed? You just said——

Mr. SABATINI. Given the period we were operating under, with just the continuing resolution as an interim measure, we did not have authority to expend any additional funds beyond the current rate of expenditure in 1981. We had to keep the States——

Chairman PICKLE. What is your plan then for the future? Are you going to cut them more? We hear, by the grapevine, that you anticipate cutting them more in this area.

Mr. SVAHN. No. I will ask Mr. Sabatini to comment on that in a second, Mr. Chairman.

Let me also indicate we haven't seen any increase in backlog, any substantial increase in backlog even at that lower level of funding.

So I understand—I hear from the State DDS's myself. There is a natural reticence to move into anything new.

Chairman PICKLE. If you have cut funding in the review area, have you also cut funding in paying for medical evidence?

Mr. SVAHN. No, we have not, have we?

Mr. SABATINI. Mr. Chairman, part of the problem, the thing that adds to the magnitude of the problem that some of the States are experiencing is not a problem that is created directly by the Federal budget process. We had the money that was available to give to the States to buy the necessary medical evidence and to pay for the additional staffs. Certain individual States had some very significant problems internally because their Governors imposed hiring freezes and restricted use of overtime, things like that.

So while the money was there, internal constraints within the State kept the State from staffing up to the anticipated levels. I think, as a matter of fact, we ended up in fiscal year 1981 not spending as much money as we had available for the State agencies for that reason.

Chairman PICKLE. You would think if the Congress required a review of all disability beneficiaries once every 3 years and was requiring a stepped up percentage of preeffectuation review that this would increase the workload of the State agencies tremendously. The Congress recognized that and approved this program. We thought it was a good idea to do this.

You would think you would give them more money. Instead you have cut their money in almost every category in order to comply with the budget request. You are shaking your head, but I thought you said you did cut it in the review; but not in all the others?

Mr. SABATINI. For the first part of this year, the fact that we only had a continuing resolution that carried us initially through November 20 did not allow us to spend at a rate higher than what we did last year. But the problems again in terms of the backlogs are compounded by the fact that the States have internal problems in terms of bringing on additional personnel. I think in fiscal year 1981, we had something like $446 million available for the States' administrative costs. They actually only obligated $434 million of that. The difference being mainly because the States were under hiring freezes.

There is no way that we can mandate a State to hire additional people in the DDS's.

Mr. SVAHN. Mr. Chairman, we have, however, contacted several of the States where they do have hiring freezes and they have had

gubernatorial requirements to keep staff down. We contacted Governors, talked with them about the fact that this is a 100-percent federally funded program and tried to work out situations where the DDS could go ahead and hire people.

Chairman PICKLE. For my information, you made a statement a minute ago that was very important to me, that you have found that there has been approximately 30 percent of individuals reviewed were determined, as of now, to be able to work, and should be taken off the disability roles. Can you give us the number of people terminated last—whatever period of measurement you want, the last several months?

Mr. SVAHN. As of the end of September 1981, the DDS's had made approximately 55,000 final decisions on the accelerated continuing disability investigations, and in those 55,000, 26,000 were cessations. Out of the 55,000 that they completed the work on, 26,000 were ceased.

Chairman PICKLE. At that point can you tell how many of those which might have been overruled or changed by the ALJ's during the appeal process?

Mr. SVAHN. No, Mr. Chairman. I cannot tell you that. It is way too early for any appeals.

Chairman PICKLE. Are most of them being appealed? Do you have a percentage of appeals?

Mr. SVAHN. We have. I think my Associate Commissioner Lou Hays was up here before your committee a few weeks ago. We have anticipated a substantial number of appeals. We have seen in certain areas a tremendous number of appeals being filed as a result of this.

Chairman PICKLE. Since you mentioned Mr. Hays, let me ask you, when he was up here before our committee recently, he said that he would be hiring additional ALJ's to prevent a backlog on these appeals. If he could get the funding, he could keep up or not have a big backlog. This is awfully important now. They were going to hire at least 100 to 140 additional ALJ's and some additional support assistance. He did not know if he could do it. He was just hoping he could find that many ALJ's.

Now, of course, the question is, in view of the continuing resolution that passed yesterday, will you be able to hire this additional staff?

Mr. SVAHN. We are planning to hire the additional staff. We are planning a number of things as Mr. Hays told you in the hearings on the appeals area, to increase productivity, to streamline the operation, and to make the decisions more standardized.

We plan on hiring a number of new ALJ's. We have two problems there. No. 1, as Mr. Hays said, is funding. I think that is taken care of. We have a supplemental appropriations request for that based on the plan that we have now developed.

The other problem is just in being able to hire administrative law judges. We go through the Office of Personnel Management, OPM. We do not appoint administrative law judges. They do the selection process and put them all together. So far, we have gotten extremely good cooperation from Don Devine over there and we hope we will be able to hire more ALJ's.

Chairman PICKLE. Are you considering encouraging the States to contract out to provide private contractors for some of their functions directly related to the determination of disability?

Mr. SVAHN. No; I am not encouraging States to contract out anything. I think there has been a lot of confusion about contracting out regarding the disability insurance program. There is no prohibition now against States contracting for a lot of services that they may want to have. What we have done recently is send out an administrative directive to the States indicating to them that we are setting up certain standards for the contracts that they could let.

I recognize that, at the present time, about the only thing that a State cannot contract out for is the disability determination.

I think you are about ready to give me a good question.

Chairman PICKLE. The staff has suggested I read this paragraph to you which was——

Mr. SVAHN. Is that the draft fiscal and administrative letter?

Chairman PICKLE. It came yesterday. It speaks to "evaluating disability claims including reviewing the evidence and claims, determining whether additional evidence is needed, triggering activities to obtain additional evidence, and recommending the adjudicative result."

Do you have a comment to make on that?

Mr. SVAHN. Only that there is no prohibition against the State contracting out for that.

Chairman PICKLE. If that is the draft of it, what you indicated, that is in effect saying you made that decision then?

Mr. SVAHN. No; that is not the case, Mr. Chairman. What we have done in that is, in essence, tightened up, and some DDS administrators believe that it is a substantial tightening up. We have tightened up the process by which they can go about contracting things. In the past there have been no standards out there whatsoever. The States have been allowed to contract out.

Chairman PICKLE. I would like a statement from you about what you will plan to have the States do or in what areas you might recommend they contract out so we will have a better idea of your plans.

Mr. SVAHN. I will be glad to provide it.

[The information follows:]

STATEMENT OF SSA PLANS FOR CONTRACTING OUT STATE DDS FUNCTIONS

SSA instructions relating to States contracting out disability determination services (DDS) functions.

Since contracting out is an option already available to States, SSA is issuing instructional guidelines under which States may contract out certain DDS functions. There are no existing SSA instructions in this area even though States have previously contracted out some minor DDS functions. This instruction clarifies existing State authority for contracting out activities the States perform for SSA and provides new safeguards over these activities. The instruction does not require or even advocate that the States should contract out DDS work. It basically explains that, as long as the State complies with applicable State and Federal laws and regulations, it is free to contract out most DDS functions except those of making the actual disability decision or of deciding DDS management issues. The development of medical and other evidence for disability claims is a DDS function that can be done by a private contractor. The instruction makes it absolutely clear, however, that should this function be contracted out, the DDS is fully responsible for seeing that the contractor observes the same rules of privacy and standards of ethics in collecting and handling medical evidence that the State itself would have to observe.

Chairman PICKLE. I have two other questions.

Just for my information, if a person comes in to a social security office and applies for a social security number, how long does he or she have to wait to get a number?

Mr. SVAHN. I do not know. Does anybody have that average?

Chairman PICKLE. We heard anywhere from a month to 6 months.

Mr. SVAHN. Well, anywhere from a month to 6 months is probably right.

Chairman PICKLE. Why do we—what is the problem there that it takes that long; two, why would it make that much difference?

Mr. SVAHN. There are a lot of reasons for the delay. Initial numbers are not issued in the district office. They are issued centrally from Baltimore. When we changed in, I believe, 1978 and went to requiring stricter evidentiary requirements, such as proof of age, to be satisfied at the time the individual applied for a social security number, as opposed to when that individual filed a claim for benefits, it added more time.

In fact, the gentleman sitting to the right of me has a young son who went to work the other day. He applied for a social security number. He came in with the birth certificate and baptism certificate of the child. He was told, OK, that establishes your child's date of birth. Now prove to us that the birth certificate applied to your child. That is Mr. Sabatini's son, Michael.

The time to issue a social security number and card varies. Sometimes it will take a short period of time; sometimes it takes much longer.

Chairman PICKLE. Your son had medical evidence of birth, everything? One of our staff said his son had to go get a library card in addition to a birth certificate.

Mr. SABATINI. Actually, Mr. Chairman, he was lucky. That was the younger one. The older one, John, waited so long with the first job he got he got fired for not producing the social security card.

Mr. SVAHN. There is definitely a difficulty there. We are doing some things this year which I hope will speed up the issuance of social security cards. Instead of batching material, we should be able to issue them within a couple of weeks. No longer than that.

Chairman PICKLE. Would you give us a summary of how you handle these cases and why there is such difficulty and discrepancy. I would like to know are the delays increasing? What you are doing now, how does it compare to what you were doing in the past?

Every Member of the Congress gets questions almost daily. Why can I not get a social security number. As you say, he might get fired for not having his number when the time comes around. It is difficult, because you have to establish certain criteria. We recognize that. But we ought to have a clearer approach on that.

Would you give us that summary and those figures of comparison?

Mr. SVAHN. I would be glad to, Mr. Chairman. It is tied up with our system. It is not exactly all bureaucracy.

[The information follows:]

Social Security Administration Comments on Concerns About the Social Security Number (SSN) Issuance Process

Two areas of public and congressional concern relating to the issuance of SSN's are that the evidentiary requirements seem burdensome and that the length of time from application receipt of a Social Security card seems excessive.

EVIDENCE REQUIREMENTS

During consideration of the Social Security Amendments of 1972, the Congress expressed concern about two growing problems: welfare fraud and employment of aliens not authorized to work in the U.S. SSN's were recognized as a major factor in obtaining employment or establishing entitlement to benefits. The amendments therefore required the issuance of SSN's to public assistance recipients and, for the first time, required applicants for SSN's to provide evidence of their age, identity and U.S. citizenship or legal alien status. Over the past 10 years, use of the SSN for purposes unrelated to Social Security has become increasingly widespread, and public and congressional concern about the integrity of the number has grown commensurately. The Social Security Administration responded to these concerns in 1978 by imposing stricter requirements for documentary evidence at the time of application for a SSN.

Generally, applicants for original SSN's are required to submit at leasts two documents. To establish age and citizenship, a birth certificate or religious record of birth or baptism established before age 5 is preferred. To establish the person's identity, another document is needed—ideally one containing a photograph or other identifying information. If the identifying information on these two documents is insufficient, additional evidence is requested to assure that the applicant is who he or she alleges to be. For persons born outside the United States, this additional documentation is generally immigration or naturalization documents, which also establish the individual's current citizenship or legal status.

SSA generally requires two documents to establish age and identity, not just a birth certificate alone, because studies show that the birth certificate is the primary document utilized to establish false or fictitious identities. In many States there is little or no control over the issuance of certified copies of birth certificates, and someone else's birth certificate may be easily obtained simply by requesting it and paying the required fee.

These evidentiary requirements serve the dual purposes of preventing improper issuance of SSN's and protecting the records of legitimate SSN holders from unauthorized access and abuse. To mimimize the inconvenience to the public of furnishing the required evidence, SSA has made extensive efforts to publicize the requirements for getting an SSN so that people can obtain the needed documentation before they apply for a number. Recent studies show that over 70 percent of applicants for original and replacement Social Security cards furnish the required documentation when they initially apply.

PROCESSING TIMES

There are two problems associated with the length of time that elapses between the time a person applies for an SSN and when he (she) receives the Social Security card. First, the average processing time of 35 days seems long because many people need the number very quickly to respond to a job offer or to seek employment. Second, there is wide variation in the length of the processing period—from less than 20 days in 70 percent of the cases to as much as 6-8 weeks in 30 percent of the cases. These processing times have remained fairly constant over the last few years.

a. *Average processing times:* Once the evidentiary requirements have been met, the next important and time consuming procedure is determining whether an SSN was previously assigned to the applicant to ensure that his (her) earning will be properly credited only to one account. Therefore, the applicant's identifying information is checked electronically against the more than 300 million records already in SSN's files.

Here is how the process works:

An application for an SSN is filed at the local Social Security office, where it is reviewed along with the supporting documentary evidence;

The application is then mailed to the Data Operations Center in either Wikes-Barre, Pennsylvania or Albuquerque, New Mexico for keying into the central system; and

The central system compares the new application against the existing records. Where no match is found, it establishes the record and then issues the Social Security card.

b. *Variations in processing time.*—The wide variations in processing time are due to a number of factors. As noted above, about 70 percent of the applicants receive a card within 20 days and most of these are handled electronically. Longer processing times occur when: (1) the identifying information on the application seems to match two or more existing SSN records, (2) the applicant says he or she already has a number but it cannot be located electronically, and (3) the applicant is 18 or older and says he (she) has never applied for a number before. In these situations the application must undergo manual processing, resulting in longer processing time.

STEPS BEING TAKEN TO IMPROVE SSN INSUANCE PROCESS

We have designed a new system—the District Office Direct Input (DODI)—to speed up the process of issuing SSN's. The DODI allows a Social Security field office to sent a application for an SSN by wirer directly to the computer center in Baltimore. This new process has been tested in 48 Social Security field offices and we are planning to have it in place for all of our 1,300 field offices by May 1982. We expect that once DODI is fully implemented, the average time for receipt of the Social Security card will be reduced to 11 days. About 85 percent of the applicants should receive a card within 8 days; the remaining 15 percent should have to wait no more than 30 days. The new process will also cost less to operate and has more controls built in to reduce fraud.

While the new input process will speed card delivery in all cases, we estimate that about 15 percent of the cases may take up to 30 days to process because they will require manual processing. We hope to further increase the level of automation so that by the end of 1982 only about 10 percent of all applications will need manual processing, and only 5 percent will need manual processing by the end of 1983. At that point 95 percent of all applicants should receive a SSN card within 10 days.

Chairman PICKLE. I have one other question to ask. That is with respect to the minimum benefit, the conference that is pending on the minimum benefit question. I do not know whether we are going to resolve that question or not. This is December. We have only 3 or 4 days, legislative days left. If no action is taken on that conference, then it will not be done in December. It will not be done in January, because we will not be back. By that time, in February, the month before it goes into effect.

According to the reconciliation bill we passed in August, we clearly stated that notices would be sent to all these people scheduled to be cut off the disability benefits in the first week in December. That notice did not go out?

Mr. SVAHN. That is correct.

Chairman PICKLE. Would you tell us why it did not go out?

Mr. SVAHN. I just sent you a letter on that in response to the letter you sent me, Mr. Chairman.

As I indicated in the letter, the House passed a bill restoring the minimum benefit by a rather substantial margin. The Senate also voted to restore the minimum benefit, but the Senate bill is a little bit different than the House version. The President called for a restoration of the minimum benefit.

You may recall the discussion we had with the full Ways and Means Committee in H. 208, where I indicated that I did not feel it would be good administrative practice to spend the money and go through the effort of mailing out the notices when it was apparent that all parties concerned wanted to restore the minimum benefit. Later, in discussions with the chief councils of both the Ways and Means Committee and the Senate Finance Committee, both advised me that they agreed with my judgment in this matter. I felt that to

expend the money to print notices, to pay for the postage and all the development effort would just not serve any good purpose and would not be sound public administration.

I will say that since it appears now that there is some deadlock on the conference committee, we are proceeding with the notices. We have designed the notices and ordered their printing, and we will be moving forward absent some action by the conferees.

Chairman PICKLE. I have not talked to our counsel on the Ways and Means Committee. I understand from staff that he did not feel that he had recommended to you not to send out the notices. I am sure he agreed with you that it would be—that it could be confusing, assuming we did or did not take action, but that he was not saying do not send out the notices because that would be in direct conflict with what the Congress said through legislation.

Mr. SVAHN. I did not say that Mr. Salmon recommended to me that I not send out the notices. What I indicated was that he agreed that it would probably be prudent not to do so. If we had sent them out and if the conference does agree to restore the minimum benefit in some way, we would have to have another mailing to reflect whatever comes out of the conference. I did not say he recommended it, Mr. Chairman, he agreed with my conclusion.

Chairman PICKLE. In the last month, as I understand it, you didn't even have the notices printed. You didn't have them ready to send out one way or the other. You just didn't print them?

Mr. SVAHN. That is correct.

Chairman PICKLE. I understand you are saying now that you will have the notices printed and ready to be mailed in the January—first week in January?

Mr. SVAHN. I have directed that the notices be printed and we will, absent some action on the Congress part, be sending out the notices by January 6, I believe.

Chairman PICKLE. I appreciate that information. I appreciate the difficulty you are in. It would be not consoling but frightening if you put out one notice and then withdrew it. At the same time, the law is now that all these 3 million people will lose the minimum benefit starting next March?

Mr. SVAHN. That is correct.

Chairman PICKLE. That is the law. The House passed one repeal version and the Senate another, whether we can get together on it is questionable. It looks like we are in general accord that we will restore the minimum benefit or intend to for the current recipients and eliminate it for the future, prospectively. There seems to be general agreement on that. Yet the conferees cannot agree on other aspects of the bill.

We can't get the Senator, Senator Dole, to call the conference. He and our chairman are talking, but at this point—and we only have 2 or 3 days left—it doesn't look like they are going to conference. I hope they will. It ought to be settled. It will be a travesty if we don't clear up this question of the minimum benefit for the 3 million Americans who are receiving it.

What a cruel Christmas they have to look forward to knowing that in another 60, 90 days their benefits are going to be reduced. I would hope that we could be more responsible than that.

That is something you can't control.

Mr. SVAHN. The possibility did enter into my decision not to send out the notices on December 3 that I would have to turn around sometime between then and the end of January and send out a second notice.

I might also add, Mr. Chairman, that the law—as it is presently constituted—requires the elimination of the formula that results in the minimum benefit for the March benefit. The requirement for sending out the notices was in the statement of managers in the conference committee report. I requested a legal opinion from the general counsel and they indicated, of course, that the managers' statement is not part of the statute. I recognize that I may never get another conference report or statement of the managers, but I just felt that it was the best decision to make at the time that we should wait at least until the recess to see what the Congress was going to do.

Chairman PICKLE. You and I would agree that it is not clearly a statutory enactment. But it is in the conference report language, a clear agreement of conferees handling this particular question. I think you are justified. I think as one of the conferees I would expect you to send out those notices unless we both thought we could do something in the next 2 or 3 days. If we don't, I can see why you must send out those notices. At least the American people will know what to expect. Otherwise they will not get a notice until sometime in February that the next month their benefit will be reduced.

Mr. SVAHN. I agree, Mr. Chairman. The only other thing is that, in the House continuing resolution that was vetoed by the President, there was a prohibition against expending any money for the elimination of the minimum benefit. I do not know what is in this continuing resolution.

Chairman PICKLE. I wish I knew how they were going to handle that. I also wish I knew how they were going to handle this continuing resolution with respect to these administrative costs. I am sure you share the same feeling. It is not the first time that we have brought a continuing resolution or a funding matter this big, just brought it out of shute 1, run it out, 30 minutes debate on each side. It probably won't be the last time. It is a bad way. I would hope—I think we are wandering a bit now, but I would hope that the Congress would come to grips with this question of continuing resolutions in a better way. I have introduced a resolution saying you can't use a continuing resolution on appropriations unless you get a two-thirds vote. It is hard to get two-thirds of our Members to agree on anything in the funding area.

We rely on it so consistently though it is the rule now rather than the exception. It is a bad practice. Very bad practice, too, Mr. Commissioner for the Congress, through a continuing resolution, to say that we will set aside $70 million of contingency funds for the OMB and let the OMB be the one who determines how and what amount and for what purpose that money can be spent.

If you, Mr. Commissioner, said you wanted to spend $20 million on a program, OMB could just cut you off.

Mr. SVAHN. I would much rather have an appropriation.

Chairman PICKLE. That is bad for the Congress and bad from an HHS standpoint. But I do not believe I can do anything about that right now.

Well, I do not believe any other Members are going to ask any questions.

So we will adjourn the committee. Mr. Commissioner, we have asked a lot of questions. We have additional questions. We are going to submit them to you in writing. What we wanted this morning was to try to get on the record some of the information that bothers us and I am sure bothers you.

May I make one last point to you? You need extra money in administrative areas, instead of being cut. You might hunker up, tighten your belt, get by with this 1- to 2-percent reduction, because you haven't got any choice. It is not what you are recommending, I am sure. You need extra money. We have got to do something about this computer system and these other areas that you mentioned. We have to have extra funds. We have 36 million people out there depending upon you. We came within a hair's breath of not getting out our cost-of-living increases last July. It was close—18 hours. We recognize that is a problem. And you do. You tell us that.

Mr. SVAHN. Yes, I do.

Chairman PICKLE. The committee wants to help you, but you have to give some leadership to give us a chance to help you. We will support you if you will step up to the plate and say I have to have this, I need this. We will try to help you generally speaking.

Mr. SVAHN. I intend to do that in the near future, Mr. Chairman. Thank you.

Chairman PICKLE. The subcommittee stands adjourned.

[Whereupon, at 12:05 p.m., the hearing was adjourned.]

[The following was subsequently submitted for the record:]

COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, D.C., December 23, 1981.

Hon. JOHN A. SVAHN,
Commissioner, Social Security Administration, Department of Health and Human Services, Washington, D.C.

DEAR COMMISSIONER SVAHN: Enclosed, herewith, are supplemental questions from Members of the Social Security Subcommittee, as a follow-up to our hearing on the Administration of the Social Security Program, which was held on Friday, December 11, 1981.

I would appreciate your response to these questions by January 15th for inclusion in the printed record of our hearings.

Your attention and consideration of this matter is much appreciated.

With best regards, I am

Sincerely,

J. J. PICKLE,
Chairman, Social Security Subcommittee.

Enclosures.

THE COMMISSIONER OF SOCIAL SECURITY,
Baltimore, Md., April 5, 1982.

Hon. J. J. PICKLE,
Chairman, Subcommittee on Social Security, Committee on Ways and Means, House of Representatives, Washington, D.C.

DEAR MR. PICKLE: Enclosed are responses to the supplemental questions from the hearing on the "Administration of the Social Security Program" held on December 11, 1981. If I or my staff can be of further assistance, please let me know.

Sincerely,

JOHN A. SVAHN.

Enclosures.

TERMINATION AND ADMINISTRATIVE EXPENSES

1. You state that your latest information is that 30 percent of the beneficiaries being reviewed for continuing disability are being terminated. Is it not true that a large percentage of these terminated people got on the rolls during a period of more lax administration and low administrative expenditures? Is it true that a great number of the people being terminated now came on the rolls during the last period (1972–76) when SSA had cut DI administrative expenses, including quality assurance and medical examinations?

Isn't there a pretty close correlation between low administrative expenses for the DI program and a high rate of benefit awards? Doesn't the experience in the 1970's reflect this phenomenon?

Response: It is true that the majority of people being terminated at this time came on the rolls in the period 1972–76. This is because we are targeting our review on those most likely to be terminated and we believe allowance during those years contributes to that likelihood. We know that adjudication during those years was less accurate due to the need to use less than fully trained disability examiners to cope with the huge additional workload the SSI program created. The Black Lung benefit program also created a drain on our experienced examiners during those years.

Our data reflect steady growth in disability determination services (DDS) administrative expenses for the DI program beginning in fiscal year 1970 and continuing through fiscal year 1980, including a steady increase from 1972 through 1976. Allowance rates (rate of benefit award) reflect a decline from 1970 to 1980, remaining steady for the 1972–76 period. However, whether any correlation can be drawn between levels of administrative expenses, quality assurance, and/or medical examinations, and the rate of benefit awards is, at best, speculative because of the many significant factors (e.g. those mentioned in the first paragraph) that affect the rate of awards.

USE OF ADDITIONAL FUNDS ALREADY REQUESTED FOR ADP

2. The March budget request included about $60 million in additional funds for some modest improvements in ADP. You mentioned the figure of $38 million at the hearing. Is this a cut or is there another explanation?

Response: There is indeed another explanation for the apparent differences in the funding level for ADP improvements. The $60 million figure represents the approximate increase in the March budget request for FY 1982 over the estimate of ADP expenses for FY 1981—$123,436,000 for FY 1982 compared to $69,821,000 for FY 1981.

The $38 million figure, on the other hand, represents the increase in the President's March budget request for FY 1982 for ADP expenses over the level for FY 1982 that was requested by President Carter—$123,436,000 in the Reagan budget compared to $85,436,000 in the Carter budget request.

STATUS OF "FUNCTIONAL" REORGANIZATION AND CONSIDERATION OF FUTURE CHANGES

3. I think you have characterized the "functional" 1979 reorganization as I remember the previous Commissioner characterized his predecessor's reorganization in a similar manner. You have stated that you are moving slowly in making changes because of the disruptive effects of these major reorganizations? What changes have you made in the organization to date and how would you characterize them? What still are the major weaknesses in the current organization? Is program accountablilty still a major problem? Could you provide us with an organizational chart?

Response: Although the functional organization is not ideal and does require a great deal of coordination among components, we have decided not to make any major changes in the SSA organization because of the potential adverse impact on morale and the significant costs involved.

The 1979 Reorganization greatly increased the difficulties in coordination and communication among SSA components and presented problems in establishing program accountability. Although these problems still exist to some degree, we have made some realignments and minor adjustments to overcome weaknesses in the functional arrangement which are reflected on the attached organizational chart. For example:

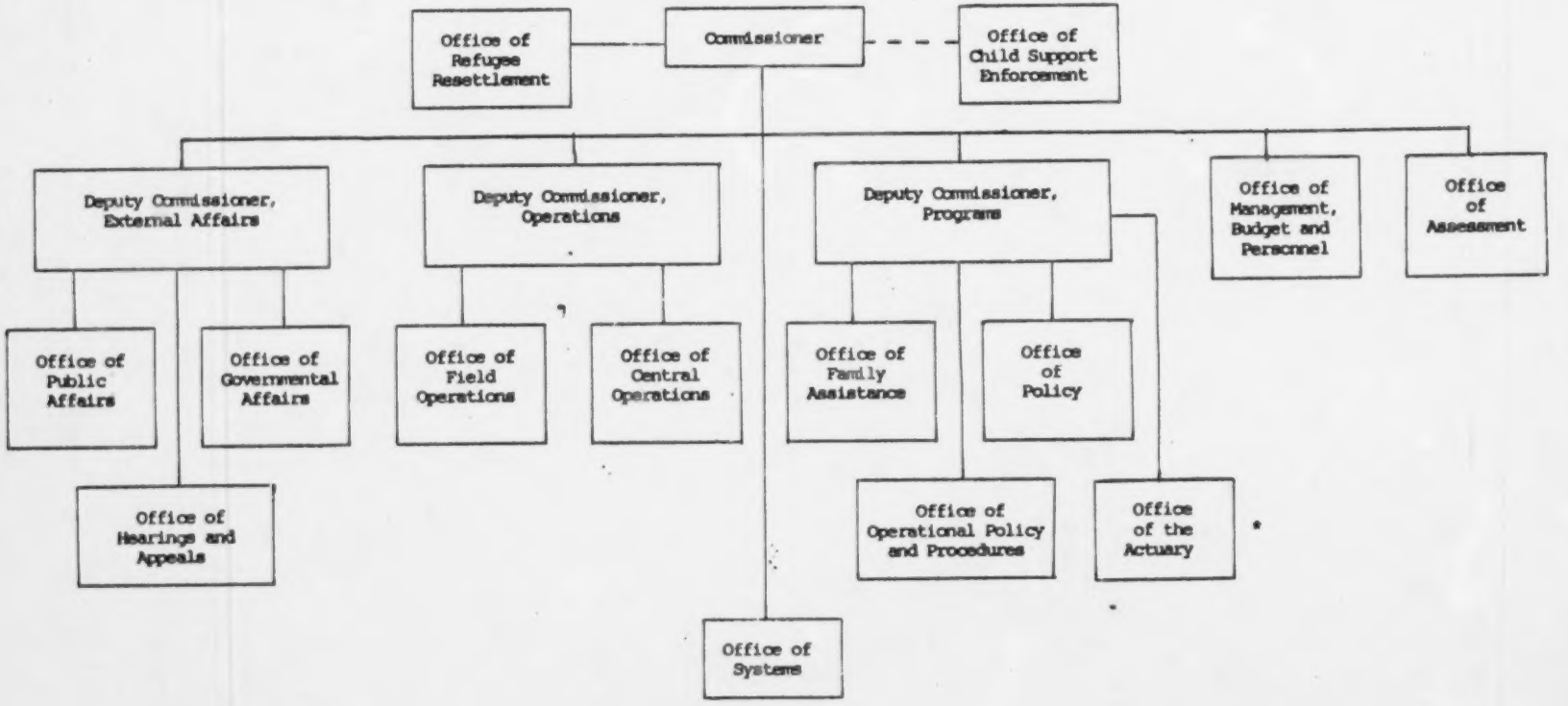
We established additional Deputy Commissioner positions to reduce the span of control of the Commissioner, to enhance coordination among related components and to establish executive-level program accountability.

We established the Office of Field Operations to provide oversight and coordination for regional operations and to provide a focus for regional matters.

The AFDC legislative analysis function is now being consolidated within the Office of Family Assistance to provide greater efficiency and accountability to AFDC policy and legislative activities. Additionally, we are studying the feasibility of consolidating other AFDC function (e.g., research and statistics and quality assurance) within the Office of Family Assistance.

Although we do not anticipate any major realignment of the SSA structure, organizational adjustment will continue to be made to correct problems and adjust to changes in workload or legislative initiatives.

Social Security Administration



*Proposed

ABUSE OF THE PROGRAM OVERSEAS

4. You have recently announced that there is abuse in the administration of the Social Security program overseas.

Could you briefly summarize the contents of your findings and what remedial action you are taking?

Response: Most problems of abuse in the administration of the Social Security program outside the United States are due to failure to report work or other events that may affect benefit payments or the late reporting or nonreporting of deaths. Other problems occur because fraudulent practices (e.g., false marriges, birth or adoption records) are harder to detect outside the U.S.—foreign evidence is more difficult to evaluate and face-to-face contact with beneficiaries is less frequent. The problem of erroneous overseas payments, while small in comparison with the sheer size of the Social Security program,, is nonetheless one of those long-neglected problems which, by their very existence, undermine the public's confidence in the system.

In order to ensure accuracy, Social Security monitors payments to beneficiaries outside the United States through an annual enforcement program, each beneficiary abroad is required to complete a questionnaire once a year in which he or she testifies to facts bearing on continuing eligibility for benefits. Payments are stopped if a properly completed questionnaire has not been submitted on time. Any questionable situation or indication of irregularity arising from the questionnaire of any other source is investigated without delay through the United States Foreign Service posts.

A special study to determine the effectiveness of the annual enforcement program was conducted by analyzing the results of questionnaires mailed from 1974 to 1976. The study concluded that the annual enforcement program is effective in obtaining reports of work, death, and other events. Over the 2-year period, over $1,265,000 in incorrect payments was identified through the annual enforcement program. Work was the event reported most and it was also the event resulting in the largest number and amount of overpayments. Over the 2-year period, there were 1,176 reports of work resulting in over $907,000 in overpayments.

Foreign validation surveys are conducted to verify the annual enforcement questionnaires. Beneficiaries outside the United States are visited unannounced at their homes, and their identities and continuing eligibility for benefit payments are verified. Also, entitlement factors, such as birth, adoption, marriage, divorce, and death, are verified by personal examination of the best available source records in the survey countries.

Since 1963 when the validation surveys were initiated, 48 surveys have been conducted in 40 countries and territories outside the United States. Validation surveys have been useful in reducing erroneous payments and in helping to find ways to strengthen the administration of the Social Security program outside the United States. When the results of a survey indicate a problem, revised operating instructions may be issued for the processing of future claims and a special probe conducted of cases already on the rolls. For example, the 1972 validation survey in Mexico found that birth certificates issued by the local civil offices were often inaccurate while those issued by the State offices were accurate. As a result, a procedure was established which provided that all local birth certificates would be verified postadjudicatively by field representatives in Mexico and a special probe was undertaken to verify local birth certificates used as proof of age for worker beneficiaries entitled before 1973. The probe found irregularities in 13 percent of the cases and determined the amount overpaid to be $146,043.

In addition to the annual enforcement program and validation surveys, SSA has instituted new activites in this area. In September 1981, there was a week-long conference of State Department and SSA officials who administer the Social Security program outside the United States. The purpose of the conference was to emphasize the importance of efficient, effective and sound program administration and to ask those officials to scrutinize every aspect of the program abroad with a view toward improving program integrity. Each overseas representative submitted a plan for improving program integrity procedures in his or her region. Also, SSA has convened an intercomponent work group to review foreign claims benefit payment procedures, and existing as well as proposed ways to improve program integrity abroad. The group first met in November 1981. It is now developing an agency-wide action plan of administrative and program policy improvements, based in part on the plans submitted by the overseas representatives.

In addition to problems involving failure to report or providing false evidence of eligibility factors, there is an issue concerning the payment of auxiliary benefits to

family members whose relationship with the worker is established after the worker retires and leaves the United States. These family members can qualify for Social Security benefits for many years even thought they never lived in the United States and were not depended on the worker while he or she was working under Social Security in the United States.

Legislative proposals are being considered which would address some of the problems which occur in administering the Social Security program outside the United States. One proposal would impose stringent administrative penalties for erroneous reporting or failure to report events which affect benefit amounts in the case of beneficiaries outside the United States. SSA has also been considering proposals which would limit the payment of auxiliary and survivor benefits abroad.

In September 1981, the General Accounting Office began a review of foreign Social Security claims. The review concentrates on the problem of individuals who become entitled to Social Security benefits, return to their native countries, and begin new families. It will attempt to provide information that will help SSA evaluate legislative proposals which would place restrictions on the payment of benefits to persons living outside the United States.

PRISONER LEGISLATION

5. There has been a lot of criticism of our legislation suspending the benefits of prisoners. But hasn't the legislation done just about what we estimated it would do in terms of numbers of benefits suspended and the amount of money saved?

[Our information shows 3,279 benefits suspended and 1,485 in process of being suspended. No prisoner has avoided suspension by having an approved rehabilitation plan.]

Response: When the idea of suspending benefits to prisoners began to be of public concern, an initial figure which was widely quoted was that 10 percent of all prisoners received disability benefits. However, a November 1980 GAO report estimated that approximately 1 percent (3,200) of the total prison population of 320,000 would fall under the provisions of P.L. 96–473. The GAO estimate closely matches our experience to date. The figures stated in the question above regarding suspensions are the latest available data and are correct as of October 31, 1981. We project 1200 to 1500 suspension each succeeding year because of newly convicted prisoners. No prisoner has qualified for continuing payment under the rehabilitation provision.

Prior to enactment, SSA estimated a savings of $9 million from the provision for fiscal year 1981. Our actual experience in fiscal year 1981 indicates a savings of approximately $15 million.

OFFICE SPACE

6. We have heard informally that the latest initiative of SSA and GSA to get adequate space for social security offices may be working. Is this optimistic report justified?

Response: GSA's plan called for the immediate establishment of joint " Space Acquisition Teams" (SAT's) comprised of GSA, HHS, and SSA employees. These teams, totaling 63 people working in the GSA regional offices across the country, are responsible for satisfying over 450 backlogged requests for space and for processing all new SSA space requests within 190–265 days. In October 1981, the SAT's established projected goals for completion of all pending SSA space requests and began processing outstanding cases.

Senior officials of each agency are responsible for coordinating this effort and meet each month to review SAT progress. In November, 31 SSA offices occupied space under a new lease and 36 lease awards were also made during November. The SAT reported 51 awards and 45 occupancies took place during the month of December. If GSA continued at this rate SSA would certainly be well on the road to recovery.

Although a few regions continue to face some GSA oppostion to the "team" approach, the SAT's are working well in most regions. Also, GSA Administrator Carmen has made it clear that space requirements are to be handled on a priority basis; therefore, problems that do arise are handled quickly and efficiently by the GSA central office SAT liaison.

One case in particular that illustrates the very early success of this program is the resolution of the New York-North Bronx space action. Possible ways to resolve this case have been discussed at the national level for the past 2 years, and only 2 months into this new initiative, the New York SAT reported a lease was ready to go into the clearance process to house the North Bronx office in a new building to be constructed and scheduled for completion by fall of 1982.

The SAT is also responsible for reviewing the list of "substandard" space provided to the General Accounting Office on September 22, 1981 and will take action to improve the space deficiencies described in that report.

At no time in the recent past has SSA received such intensive GSA support. Administrator Carmen has committed GSA to devoting the time and management effort necessary to ensure the success of this program and plans to testify on the results of this project before the House Labor-HHS Subcommittee on Appropriation in March of 1982. I am hopeful that GSA's midyear report on SAT progress will be favorable and that the SAT's will not only have met, but exceeded the projected goals for completion of cases.

VOCATIONAL REHABILITATION

7. We are concerned with the regulations proposed by the Administration which would implement the modest vocational rehabilitation program which was initiated by our Subcommittee in the budget reconciliation legislation. There is some reason to believe that the pending proposed regulations on these provisions are too restrictive in (1) not allowing for "advanced funding" for fiscal 1982 and (2) not allowing reimbursement for individuals who are "diaried" for medical recovery. Your current estimates are for expenditures of only $2 million for Social Security and $1.5 million for SSI in fiscal 1982. This is in contrast to vocational rehabilitation expenditures in 1980 which totaled over $100 million for Social Security and about $50 million for SSI.

Rather than a modest program, doesn't this indicate that this program has been eliminated?

Response: No, the program has not been eliminated. The budget figure of $3.5 million was based on anticipated expenses in fiscal year 1982 for successful rehabilitations. Because the statute authorizes expenditures only for successful rehabilitations, the fiscal year 1982 programs are necessarily much smaller than last year's.

We initially intended not to advance fund the new program. Our concern was that without sufficient experience with the new definition of "success"—9 months of SGA—State agencies would risk being overpaid if their anticipated successes did not materialize. However, States have indicated a willingness to accept that risk, and recognize that we will make future adjustments to account for any underpayments and overpayments. We are, therefore, prepared to make advances of the $3.5 million for which we have obligational authority.

Concerning the medical diary cases, we have decided to reimburse States for services provided to individuals who were diaried for medical recovery but who completed 9 months of SGA. Our initial policy was influenced by the GAO report HRD 81-82 which criticized the inclusion of medical diaries in the prior SSA VR program. Your clarification of legislative intent led us to change our position.

DEBT COLLECTION EFFORTS

8. I understand that the Social Security Administration has a new debt collection effort that has proved quite productive. Could you give us a brief report on this activity? Is it going to be curtailed under the administrative cost reductions?

Response: There is an enormous amount of overdue and uncollected debts owed the government, and the magnitude of this problem in the programs administered by the Social Security Administration (SSA) is staggering. At the beginning of fiscal year 1982, our outstanding debt was $1.9 billion. SSA is committed to prompt and efficient collection of this debt.

On becoming Commissioner of Social Security, one of my first acts was to establish a high priority Debt Management Project and designate a Debt Management Project Officer. This Project Officer, backed up by a Debt Management Team, is responsible for making immediate improvements in SSA's debt management activities. So far the team's efforts have produced a program of administrative actions the agency can take which, we estimate, will increase the net amount of debts SSA will collect by $580 million in fiscal year 1982 and by $370 million in fiscal year 1983—or nearly $1 billion more than we would have been able to recover absent our new measures. SSA intends to achieve these results through the following actions:

1. Reasserting our philosophy that debts be paid and that they be paid quickly. We are training our employees in our debt resolution and collection procedures. We have revised our operating instructions to incorporate policy changes designed to increase the efficiency of our collection activities. We have developed a special program to train technical employees on the new instructions and the underlying philosophy.

2. Institution of management control of all debts. We are implementing this through the designation of a debt management officer in each of our 1,300 field offices, requiring that all debts be manually inventoried and accounted for (pending an improvement in our automated systems), and hastening the development of automated management information capabilities.

3. Collecting debts at the earliest opportunity and seeing that debts are repaid as rapidly as possible. To do this, we are changing our repayment policy where debts are paid from future benefits from requesting repayment at the rate of 25 percent of the monthly benefit to requesting repayment at the rate of 100 percent of the monthly benefit. However, we will provide for negotiation of the repayment rate as long as the renegotiated rate permits full recovery within three years. We are also changing our procedures to follow up more quickly and aggressively on overpayments with manual billing and reminder notices and the use of the telephone or contacting delinquent debtors. Also, we are implementing new computer screening of records to alert us when repayment stops before the debt is discharged.

RESEARCH

9. Many members of Congress have been very concerned that SSA does not know enough about the characteristics of its beneficiaries to answer questions about the impact of legislative changes. What impact will the continuing resolution have on SSA's research and ongoing surveys about beneficiaries? Does this mean we will continue to operate in the dark on what beneficiaries are affected by changes we want to make? (See also question 15)

Response: There is no doubt that the continuing resolution will have an impact on SSA's research program. At this time, SSA is planning to reduce fiscal year 1982 expenditures for extramural research—that is, research done through outside contracts with universities and others, through reimbursable agreements with other Federal agencies, and so forth. We believe that extramural research is an area that has to be cut if we are to live within the funds appropriated by Congress. With the large budget reductions in the continuing resolution, we have decided to emphasize the operational side of the program, and we are carefully reviewing both our internal and external research projects to be sure that all are closely related to program concerns.

We did, however, in 1981 begin a survey project of newly entitled beneficiaries which will give us a start in responding to concerns about our lack of knowledge in this area. This project which was funded in fiscal year 1981, is a 2-year effort. It has been designed specifically to provide current information on OASDI beneficiaries. We will use the results of the survey to improve program cost estimates and to assess overall program impact on the beneficiaries.

FUNCTIONS WHICH MAY BE CURTAILED UNDER THE CONTINUING RESOLUTION

10. Your testimony indicated that you believed that you would be able to retain an adequate level of "direct services to the public" under the continuing resolution. However, will you be able to retain what you consider a desirable level of service in such essential activities as systems, quality assurance, and policy development?

Do you mean by "direct services to the public" such activities as current information services such as pamphlets, phone answering, opening of new offices, improvements of existing offices? Will these be curtailed?

Response: In order to accomodate the spending level in the Continuing Resolution (CR), SSA undoubtedly will have to make reductions. However, our first priority is to serve the public, and those activities which directly serve the public are the last ones I would cut. By "direct service to the public" I mean primarily those activities handed in our district and branch offices and telecommunication service centers. These activities include taking claims, determining benefit eligibility and amounts, and making postentitlement changes—such as changes in address or marital status—that can affect receipt of benefits. Information services, such as pamphlets and phone answering, also come under the heading of "direct service."

Although activities related to direct public services are the last that I would consider reducing because of budget constraints, it is true that SSA is currently considering some reasonable economies in telephone service and public information activities. I want to stress, however, that any reductions that may be taken in these activities represent desirable economies. I assure you that these activities will not be cut arbitrarily, solely to meet the budget reduction in the Continuing Resolution. As an additional point, while SSA had planned to make reductions in district office construction, these cuts were not approved by the Congress in the action it took on the Continuing Resolution.

Of course, SSA is faced with a large budget reduction under the CR, which will necessitate cuts. As I stated at the December 11, 1981, hearing before your committee, we will be making reductions in staff positions. However, I do not anticipate these cuts to severely impact on major program initiatives.

In the area of systems, I have developed a plan for overall systems improvements. As I testified, I expect to receive the full support of both the Department and OMB in order to implement the plan, and should SSA require additional funds, I will ask for them.

MOVE TO THE COMPUTER CENTER

11. In October the FAO sent us a report which pointed to certain problems regarding the readiness of the computer building and "the potential threat to public service if the computer operations are moved to the new facility before it is ready to accept them." What are your comments on these findings and should there be a risk "analysis" before some of the move is made?

Response: SSA shares GAO's concern that all risks be identified and minimized in this complex move. We have contracted with the MITRE Corporation and EDP Audit Control Company to provide independent assessments of the move project. MITRE has been providing these assessments since February 1980. The EDP Audit Control Company began its formal risk analysis of the threats to and vulnerabilities of the New Computer Center in November 1981; results of their work are expected in the near future.

We have resolved, or are resolving, building readiness problems cited by GAO.

The fire/safety system is now operational.

No problems remain with the electrical system.

Corrections have been made to the chilled water pumps of the chilled water system.

All air conditioners are operational.

The problem with acquisition of quality software for the automated security system persists. However, SSA has acquired a full contingent of security guards to prevent unauthorized access to the New Computer Center.

It is significant that so far four systems and one multiprocessor have been successfully relocated to the New Computer Center. All systems should be relocated by the end of 1982. In our view, further delays to the move pending completition of the scheduled overall risk assessment are unwarranted. In fact, MITRE concluded that it is safer to move SSA's computer systems to the New Computer Center than to leave them in the Old Computer Complex.

PERSONALIZED DENIAL NOTICES

12. As you are aware, we were concerned this spring, as you were, when both the accelerated CDI's and personalized denial notices were going to hit the State agencies at roughly the same time. Now you appear to be urging some type of deferral or elimination of personalized denial notices. On the other hand the November issue of OASIS seems to give a fairly rosy picture in quoting a high Social Security official:

"The additional time and work needed to prepare personalized denial notices was a particular cause for concern in the DDS's because of its potential for increasing claims processing time. But after several weeks of experience, the initial processing time increase has been greatly reduced and the personal notice process seems to be working very well. They (the State agencies, DO's, etc.) are doing an excellent job. The people involved have been giving it everything they could. The notices are still getting extensive reviews, however, and we're studying the results."

Could we get a more detailed report on personalized denial notices, their impact on State agency workloads, their general effectiveness, uniformity nationwide, and their effect on the appeal rate.

Response: Congress provided for personalized disability denial notices in the Disability Amendments of 1980 because it believed that a personal explanation would lead to greater claimant satisfaction with SSA's decisions and fewer appeals. There is no evidence that this has happened. In fact, although it is too early for the figures to be reliable, the appellate filing rate has increased since July 1981, the month personalized notices began to be produced.

The major impact on the DDS's has been an increased clerical burden and a lengthened processing time. SSA has not requested States to keep separate processing time data for personalized notices because of the clerical burden involved. Processing time on initial cases rose 4.35 percent for the period July to November 1981.

In order to monitor the quality of the notices, SSA started special reviews of personalized notices in addition to the normal preeffectuation and quality reviews. As

can be expected in such a highly subjective area as the preparation of these notices by people in 50 States, the quality of the notices is not uniform. Despite the special reviews, it will be difficult to achieve uniformity.

SSA in the early 1960's provided personalized disability denial notices for a period of 2 years without any discernible impact on public acceptance or the appeal rates. It is interesting to note that there was no adverse reaction when we gave it up in 1964 due to an accelerating workload.

There are several reasons, besides the budgetary ones, for repealing the requirement for personalized denial notices. Repeal would alleviate the administrative burden imposed on SSA and State DDS's in trying to cope with burgeoning disability workloads. SSA's ability form letters which were used prior to July 1, 1981, were informative and tailored to the basis for denial. The risks of providing potentially harmful information are increased by the use of personalized explanations. Personalized notices may actually cause some people to file for appeal to dispute an unimportant factual statement which has no real bearing on the decision.

STATE AGENCIES

13. What rate of spending will be allowed for the State disability agencies in the second, third, and fourth quarters of the fiscal year? What will the rate of consultative examinations be for the fiscal year? Is that the rate contemplated in the original Carter and Reagan budget?

Response: The fiscal year column of SSA's fiscal year 1982/1983 congressional budget submission provides $561,659,000 for the Disability State Agencies. This is an increase of $127,000,000 over actual fiscal year 1981 spending. The fiscal year 1982 estimate for the consultative examination rate is 38.5 percent, which compares closely with the rates contemplated in the Carter budget (38.9 percent) and the March 1981 Reagan budget (41.2 percent). The slight variance is due to actual experience which indicates a lower than originally projected rate for special workloads such as the non-diaried continuing disability investigations mandated by the Social Security Disability Amendments of 1980.

To cover current obligations, we have made available to the State Agencies $262,000,000 through March 31, 1982. Our funding authority under the Third Continuing Resolution expires after this date. In fiscal year 1981 for the comparable period (October-March), the State Disability Agencies obligated $199,000,000.

As always in budget matters, new developments can change the situation. For example, if SSA has to absorb pay raise costs or if projected State Agency workload receipts change significantly, we would need to reassess the current estimates for fiscal year 1982 State Agency resources. Further, if the President's request for an fiscal year 1982 supplemental of $42,900,000 for our administrative expense budget is not approved by Congress, we would need to make some cutbacks in the State Agency budget.

IMPACT OF REPEAL OF LUMP-SUM DEATH BENEFIT

14. We have been informed by some of the medical schools who were using the lump-sum death payment to partially reimburse themselves for the costs of dead bodies for teaching purposes that they do not believe that the reasons for eliminating the provision for funeral directors is applicable to them. They believe that there should be an amendment to the law which would restore medical schools, Anatomical Boards and other legitimate recipients of donated bodies as beneficiaries under the lump-sum death provision. What would your position be on this?

Response: We think that the exclusion of medical schools from receiving the lump sum is consistent with the intent of the legislation which was originally proposed by President Reagan in February 1981 as part of his package of budget and tax reductions. The President's recommendations, including the change in the lump sum, were designed to protect the basic Social Security retirement benefits for the Nation's workers and their families while reducing or eliminating benefits which are not essential.

Under prior law, medical schools could receive the lump sum under the same provision as others who were not members of the worker's family, such as funeral homes or friends or relatives who incurred the burial expenses. However, these groups were excluded under the new law which limits the payment of the lump sum to a spouse living with the worker at the time of death or to a spouse or child eligible for benefits in the month of death. Thus, the new law focuses the lump sum on its basic purpose of helping the deceased worker's family with costs associated with the worker's last illness and death. We do not think it would be consistent with this

basic purpose to include medical schools or Anatomical boards along with immediate family members as recipients of the lump sum.

RESEARCH

15. You indicated in your testimony that you will be making reductions in research spending as part of the reductions made necessary by the continuing resolution. Could you describe these reductions in greater detail, in particular how the dollar reductions would be distributed between overall staffing reductions in the Office of Research and Statistics, and specific cuts in research project contract money. How will these reductions affect ORS' ability to collect ongoing program statistics, and ORS' support for the Continuous Work History Sample and other ongoing survey research? Does SSA intend to complete analysis and publication of the results of the 1979 SIPP survey?

Response: Substantial cuts have been made in our funds for research grants and interagency agreements. Because of this reduction we will be postponing some lower priority projects and revising priorities for our in-house staff so that some of the planned contract studies can be done internally.

The reduction was not taken in funding for ongoing, internal research and statistical operations. Therefore, the quality of program statistics will not be affected by this reduction nor will support for the Continuous Work History Sample be reduced. Our major current survey initiative (the New Beneficary Survey) is not affected because the contract was awarded in fiscal year 1981.

The 1979 survey that you refer to was not the Survey of Income and Program Participation (SIPP). SIPP was to start in fiscal year 1982, but Congress has eliminated funding for it. The 1979 effort was a small developmental project designed to test several interviewing and sampling alternatives for use in larger socio-economic surveys.

TRAVEL

16. Travel is particularly important in supervising the District Office, ALJ, and State disability agency structures. Is this type of travel being curtailed at the present time? What will be its status under the new continuing resolution?

Response: Because of funding uncertainties and restrictions under the first two continuing resolutions, District Offices, ALJ's (Office of Hearings and Appeals), and the Disability State Agencies curtailed supervisory travel through November 1981 to a level below that of a year ago. For example, in the District Offices and the Office of Hearings and Appeals, this reduction amounted to $196,000, or a 59 percent decrease in this type of travel from the same period in fiscal year 1981. This type of travel has now returned to a normal level under the current continuing resolution, which by contrast with the first two resolutions, specified a definite funding level.

STATE AGENCY HIRING FREEZES

17. You say that State hiring freezes have made it more difficult to build up staff for the new disability initiatives. How many States have had hiring freezes since March? Give a couple examples of those which were the most severe.

Response: Six States have had hiring freezes since March 1981. Kentucky and Tennessee have had the most severe problems. As of December 18, 1981, Kentucky was 89 positions short of its staffing goal while Tennessee was 71 positions short of its goal.

PERSONNEL CEILINGS

18. You provided us with a memorandum on positions requested and positions received as different review levels for fiscal year 1979 through 1981. Could you provide an update for fiscal 1982 which will reflect both Continuing Resolutions this year?

Response: The table below reflects SSA's fiscal year 1982 employment request at various levels. Consistent with information already provided for earlier years, the figures represent the 1982 column of SSA's 1983 budget request.

	1982 column of 1983 budget		
	Request to HHS	Request to OMB	Request to Congress
1. Work-years:			
Full-time permanent	75,192	75,192	75,163
Temporary/part time	11,155	11,155	11,130
Overtime	3,109	3,109	3,109
Total	89,456	89,456	89,402
2. Positions filled end-of-year:			
Full-time permanent	75,800	75,800	75,800
Temporary/part-time	10,675	10,675	10,650

SSA has not yet received its formal fiscal year 1982 employment allocation from the Department of Health and Human Services (HHS). With a few exceptions, the agency is currently operating under a freeze on hiring any permanent employee from outside the permanent workforce of HHS. The freeze (which was announced by the Secretary on October 1, 1981) also prohibits conversion of existing employees from temporary or part-time to full-time permanent status. To date, SSA has been granted exceptions which allow it to hire:

1. A total of 221 permanent employees for its Office of Hearings and Appeals—including 71 Administration Law Judges and 150 support personnel.

2. Up to 150 permanent employees for its Office of Systems by March 31, 1982—at which time the Office of Systems exception expires.

ATTORNEY'S FEES

19. (a) In the past, when the Social Security Administration (SSA) failed to withhold post-due benefits for payment of an attorney's fee, the policy was to create an overpayment on the beneficiary's record and pay the attorney out of trust fund money if he was unsuccessful in collecting his fee. Now SSA will make no effort to rectify the error so the attorney can be paid. What is the reason for the change?

Response: SSA's former policy has been re-instated, with certain modifications. If, through error, withheld past-due benefits are paid to the claimant, SSA will notify the attorney of the error and ask him to attempt to collect his authorized fee directly from the claimant. He is also advised to notify SSA if he is unsuccessful in collecting his fee from the claimant. At the same time (as a modification to the former policy), SSA will also notify the claimant of the error and advise him of his responsibility for paying the attorney's fee.

If the attorney advises that he cannot collect his fee, SSA will pay the authorized fee directly to the attorney, and then begin normal overpayment proceedings to recover the amount of the fee payment from the claimant. As a second modification of the former policy, if the claimant requests waiver of recovery of the overpayment, the claimant will be found "without fault" for the overpayment only in exceptional cases, in view of the earlier notice to him concerning his obligation to pay the fee.

This policy was re-instated on March 5, 1982.

(b) Is this policy change part of your deregulation of attorneys' fees?

Response: We have re-instated our former policy.

LEGISLATIVE RECOMMENDATIONS

20. Could you give us the legislative language or at least the specifications for your proposals for the personalized denial notice, medical evidence of record, and attorney fee recommendations?

Response: Attached is an extract from the Appendix to the Budget of the United States Government for fiscal year 1983 which includes the legislative language relating to the three proposals.

[Extract from page I-K54 of the appendix to the budget of the U.S. Government for fiscal year 1983]

LIMITATION ON ADMINISTRATIVE EXPENSES

For necessary expenses, not more than $3,408,451,000 shall remain available until expended, as authorized by section 201(g)(1), of the Social Security Act, from any one or all of the trust funds referred to therein: Provided, That travel expense payments under section 1631(h) of such Act may be made only when travel of more than sev-

enty-five miles is required: Provided further, That none of the foregoing amount shall be available for the purpose of making the payment provided for in the second sentence of section 223(d)(5) of such Act: Provided further, That amounts authorized herein may be used to provide notices under sections 205(b) and 16.31(c)(1) of such Act of the Secretary's decisions involving determinations of disability provided that such notices must contain only that level of information contained in such notices prior to implementation of the amendments made by section 305 of P.L. 96-265: Provided further, That notwithstanding the provisions of sections 206 and 1631(d)(2) of such Act, none of the foregoing amount may be expended for purposes related to the fixing of reasonable attorneys' fees, and no funds from the Federal Old Age and Survivors Insurance Trust Fund nor the Federal Disability Insurance Trust Fund may be certified for payment to any attorney as compensation for representing a claimant in proceedings before the Secretary or any court, except that the foregoing shall not be construed to limit the Secretary's authority under sections 206 and 1631(d)(2) of such Act to promulgate regulations that prescribe the maximum fees which may be charged by attorneys as such compensation: Provided further, That none of the foregoing amount shall be available for the purpose of increasing from 35 percent to 65 percent the percentage of State disability determinations required to be reviewed under section 221(c)(3): Provided further, That $50,000,000 of the foregoing amount shall be apportioned for use pursuant to section 3679 of the Revised Statutes (31 U.S.C. 665), only to the extent necessary to process workloads not anticipated in the budget estimates, for automation projects, and to meet mandatory increases in costs of agencies or organizations with which agreements have been made to participate in the administration of titles XVI and XVIII and section 221 of the Social Security Act, and after maximum absorption of such costs within the remainder of the existing limitation has been achieved.

DISABILITY RESEARCH

21. Will there be full funding of the experiments and demonstration projects which were directed under the 1980 amendments of "various alternative methods of treating the work activity of disabled beneficiaries under the old-age, survivors and disability insurance program . . . designed to encourage the return to work of disabled beneficiaries".

Response: We have worked out plans to minimize the cost of executing the disability demonstration projects and are now going ahead to implement them.

PERFORMANCE APPRAISAL—CIVIL SERVICE REFORM

22(a). Could you give us some idea of the benefits and possibly the negative aspects of the Civil Service Reform Act of 1978?

Response: In the areas of performance appraisal the CSRA has heightened the awareness in managers of the need for establishing priorities, precisely outlining performance expectations and describing the means by which performance will be measured. When effectively managed, it has forced managers to develop and maintain lines of communications with their subordinates.

The negative aspects of the system which can be somewhat objectively substantiated are that it is paper intensive, requiring supervisors to keep detailed records of individuals' performance and to adjust or rewrite performance plans as circumstances change. Many managers think that the merit pay increase is not significant enough to encourage them to exert the effort needed to receive it. Moreover, since becoming Commissioner I have learned that the merit pay formula could result in good managers receiving less than the full normal pay comparability increase which every other employee receives automatically. Because of last minute changes to the formula in 1981, this did not happen. I have spoken with Dr. Donald Devine, Director, Office of Personnel management about making permanent changes to merit pay which will insure that all managers who receive fully satisfactory ratings will be guaranteed the full comparability increase given to other Federal employees.

Some managers and their subordinates believe that the system has become an end in itself. Projects are completed to meet deadlines which may be unrealistic. Quality is not always considered. Short term goals which meet explicit merit pay objectives do not always result in the quality product the subordinate can and would accomplish in a less restrictive management atmosphere.

In summary, merit pay is a new concept and works to the extent that plans and objectives are well formulated.

22(b). In carrying out merit pay and related functions, including the new performance appraisal system, can you indicate in a gross way, how many hours of supervisor time are involved?

Response: There is no doubt that an increased amount of time is involved over the previous system. A certain amount of time can be attributed to start up for an entirely new system. A good performance appraisal system will require more time than most managers have traditionally spent on performance management. Since these activities are intertwined with the ongoing management process, it is difficult to estimate the amount of time devoted exclusively to the implementation of performance appraisal under CSRA. Based on observations of the implementation of the new system and discussion with knowledgeable managers, we think that 10 to 15 percent of the supervisor's time, as an average, is spent in this activity.

22(c). Has the effect of over-emphasis on "performance appraisal" lead to the "faking" of statistics and other related activities destructive to good administration?

Response: This was more of a problem prior to 1980, when SSA was in the initial stages of implementing merit pay appraisal systems. The initial emphasis on rigid numerical goals could create a climate where the numerics seem to be ends in themselves rather that indicators of performance. Since 1980 we have moved away from using statistical measures as the sole measure of good performance. We now use a variety of techniques, including personal observation, to measure performance and with the anticipated improvement in the pay formula discussed in the previous question we believe that both the opportunity and desirability of "faking" statistics has been substantially decreased.

EFFECT OF CONTINUING RESOLUTION

23. Your testimony concerning where specific reductions will be made to conform with the spending level in the Continuing Resolution was fairly general. Using the President's Budget request as a starting point, can you give us more specific details on where cuts are going to be made in the areas you mentioned, such as travel, consultants, debt collection, and overhead?

Response: Under the third continuing resolution (CR) for fiscal year 1982 (P.L. 97-92) to extend temporary funding authority through March 31, 1982, Congress authorized an annual level of spending for the Limitation on Administrative Expenses of $3,017,000,000. Our current request for fiscal year 1982 is $3,059,900,000. That amount is $278,780,000 less than the President's March budget request for fiscal year 1982.

The following table shows how SSA plans to achieve the reductions from the March budget request:

Request to SSA's limitation on administrative expenses

	Millions
Eliminate $170 million contingency reserve for new legislation, primarily for implementation of the minimum benefit provision of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) as it applied to current Social Security recipients	−170.0
Implement additional procedural changes for savings of 1,100 work-years (e.g., accelerate budget procedural changes, move social security number issuances from the data operations centers to the district offices)	−25.2
Reduce the State Disability Determination Services budget due to lower spending in the first quarter under continuing resolutions, and lower workload estimates	−15.0
Reduce work-years budgeted for staff support function	−10.0
Reduce work-years budgeted for employees not subject to employment ceilings, such as summer aides	−10.0
Reduce travel and consultant services costs	−7.0
Reduce the budget for equipment purchases (other than automatic data processing equipment)	−5.5
Reduce outside research contracts	−4.6
Reduce telephone charges through better management of voice communications	−4.4
Reduce the budget for "other services" (e.g., training tuition, administrative services, services to building and facilities, etc.)	−3.5
Other reduced requirements due to delays in approval of appropriation for fiscal year 1982	−3.6
Total reductions	−258.8

This table shows $258.8 million in savings from the March budget estimates. Our previous plan assumed additional reductions of $42.9 million (for a total of $301.7 million in reductions), to be achieved through appropriation language to relieve SSA

of certain administrative requirements; Preparation of personalized denial notices for disability applicants whose claims are denied; payment for medical evidence of record in support of disability insurance claims; deducting attorney fees from benefit payments made after successful appeals; and earmarking funds for SSA's construction activity.

Of the annual level of $3,017 million authorized by the C.R. (P.L. 97-92), $70 million is the form of a contingency reserve. SSA plans to use the full contingency amount during FY 1982. The contingency tap is necessary for SSA to process unbudgeted workloads as well as for higher than budgeted requirements of State agencies (Disability Determination Services) in excess of those anticipated in the September 1981 revised budget estimates.

SOCIAL SECURITY—SSI—WINDFALL PROVISION

24. The so-called SSI "windfall" offset provision appears to have been very difficult to implement and to administer. Could you summarize these difficulties and whether there is anything we can do about it legislatively? Also some attorneys have complained that its provisions are being interpreted to include people who were "entitled" to benefits prior to its effective date of July 1, 1981.

Would you also give us a general view of how this provision has affected the collection of attorney's fees for those handling social security and SSI cases? Some attorneys maintain they will not be able to represent concurrent beneficiaries the way this provision is being implemented.

Response: We have encountered some difficulties in implementing the SSI offset provision (section 501 of P.L. 96-265). Briefly, this provision requires that when SSA awards retroactive Retirement, Survivors, or Disability Insurance (RSDI) benefits to a person, SSA must reduce those benefits if the person received SSI for any months in the retroactive period. The reduction equals the SSI payments that would not have been made if the RSDI benefits had been paid each month instead of retroactively. To compute this reduction, it is necessary to recompute the SSI by including the monthly RSDI benefits in the person's income for the months in question.

One of the difficulties we have in administering the offset is that now all the offset computations must be done manually. In the first 20 weeks of working SSI offset cases about 45,000 potential SSI offset claims were received. If this trend continues, there will be about 115,000 cases this year. The computations frequently cover long periods of time and require an inordinate amount of time when processed manually. We anticipate that the computer will be able to handle some of the offset cases by next year. This should alleviate the difficulties somewhat.

The offset provision applies only in claims where the SSI is paid before the retroactive RSDI. Thus, if the retroactive RSDI is paid before the SSI, a windfall occurs that cannot be recovered by means of the offset. In order to prevent unrecoverable windfalls in cases of concurrent SSI and RSDI applications where the RSDI claim is ready to be paid but the SSI is not, we recently began paying only current and future months' RSDI benefits while deferring determination of the retroactive RSDI amounts until after the SSI benefits for the past months are paid. By doing this, we are able to apply the offset and recover excess SSI benefits from the retroactive RSDI benefits. If we paid the retroactive RSDI benefits before paying the SSI benefits for the same retroactive months we could not reduce the SSI benefits to make full recovery because the law does not authorize it. While this procedural change permits broader application of the offset and is most effective in preventing otherwise unrecoverable windfalls, it delays payment of the retroactive RSDI benefits while we determine all of the factors that affect the amount of SSI to be paid and to determine if their situations have changed in the period since they filed their applications. In many cases, long periods of time are involved because the case has gone through one or more level of appeals since the application was filed.

Additional legislation would not relieve the delays caused by processing the offset manually. A legislative change would be required to allow SSA to offset either retroactive RSDI or SSI payments regardless of which is paid first in order to enable SSA to prevent windfalls without having to delay the payment of retroactive benefits.

The law provides that benefits subject to SSI offset are ones entitlement to which is determined on or after July 1, 1981. Thus, the provision was made effective for cases on the basis of when the determination of entitlement to benefits was made rather than the date of entitlement. SSA has held that a person is not determined to be entitled to benefits until the claim is finally adjudicated, i.e., the benefit award form is signed by a proper SSA official. We have received some complaints when we apply offset in claims where, for example, an Administrative Law Judge issued a

decision before July 1, 1981 but the claim was not adjudicated until July 1 or later. We are applying the offset in these cases since the claims were adjudicated on or after the effective date.

The Social Security Act authorizes SSA to approve and pay fees to attorneys in connection with claims for RSDI benefits. The Social Security regulations provide that up to 25 percent of the retroactive RSDI benefits payable to the claimant can be withheld for payment to any attorney. The amount subject to withholding for attorney fees is the retroactive period. In SSI offset cases, the amount of RSDI retroactive benefits subject to withholding is the amount remaining, if any, after the SSI offset is deducted. SSI offset reduces the retroactive RSDI benefits subject to withholding, thus a smaller amount of benefits is available for payment directly to the attorney. This does not necessarily mean the attorney will not be paid. Whatever part of the fee that cannot be paid out of the retroactive RSDI benefits can be collected directly from the claimant.

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